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Special Issue:

Social Finance, Impact Investing, and the Financialization of the Public Interest

Forum:

Challenges for Big Data Analysis

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Charles Tilly (1929-2008)

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Special Issue

Eve Chiapello & Lisa Knoll (Eds.)

Social Finance, Impact Investing, and the Financialization of the Public Interest

Forum

Lilli Braunisch, Malte Schweia,
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Special Issue

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Social Finance, Impact Investing, and the Financialization of the Public Interest

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Social Finance and Impact Investing. Governing Welfare in the Era of Financialization

Eve Chiapello & Lisa Knoll *

Abstract: *»Social Finance und Impact Investing. Wohlfahrtsregulierung im Zeitalter der Finanzialisierung«*. Social Finance and Impact Investing took off after the 2008 financial crisis, offering alternative financing solutions for social welfare. Presented as answers to the pressing problems of the 21st century (public sector fiscal constraints, overstrained welfare states, and a lack of investment opportunities in an era awash with investment-seeking capital), they propose to combine public and private funds in complex negotiated and cascade-like credit and subsidy structures. They aim at attracting private capital by advertising potential social *and* financial gains to private investors. This introductory article provides an overview of the Social Finance and social impact investment phenomenon. It discusses the scope of literature, and outlines the transformative trajectory of Social Finance in terms of financialization, public sector governance reform, and welfare state policies. Social Finance and Impact Investing are important research fields for the social sciences, as they are much more than mere "financial innovations." They transform how we govern and think of welfare and organize public sector funding. The articles assembled in this special issue provide the reader with insights into the making of a field and the establishment of new financial relations and circuits, judgement devices, and ranking schemes.

Keywords: Social Finance, Impact Investing, Philanthropy, Welfare State, Privatization, Market Making, Transformation of Capitalism, Neoliberalism, Evidence-Based Policy.

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A first version of the papers included in this special issue were presented at the conference *Social finance, impact investing, and the financialization of public interest*, that we co-convened at the University of Hamburg, in March 2017. This project was made possible by the Anneliese Maier Award received by Eve Chiapello in 2016 from the Alexander von Humboldt Foundation.

1. Social Finance and Impact Investing[1]

The social and philanthropic activities in the field of welfare service provision are undergoing a process of transformation proposed under the labels of Social Finance and Impact Investing. Private investors and foundations are expected to invest into social ventures in order to receive a double return on investment: social and economic. In times of financialized capitalism, rent-seeking capital is turned into a solution to social problems, instead of being identified as their source. Social Finance and Impact Investing are promoted by a "social movement" (Golka 2019) that started in the US and the UK in the 1990s, but gained momentum in the years after the financial crisis. Even if the volume of activities or money invested in this field remains small compared to the volume of money managed by assets managers or by welfare state systems in developed countries, Social Finance is a strong proposal that is propelled forward by powerful economic actors acting as "institutional entrepreneurs" (Battilana et al. 2009). It is discussed within global power arenas such as the World Economic Forum (WEF 2013), G8 (Social Investment Taskforce 2014), the OECD (OECD 2015), UN organizations (IFC 2019), the Catholic Church (Louche et al. 2012), and put into motion by the EU (see, e.g., The Social Impact Accelerator initiated by the European Investment Fund) or the US Federal Government (e.g., The Impact Fund launched by the Small Business Investment Company of the Small Business Administration).

What is at stake in the rise of Impact Investing and Social Finance is the rearrangement of the circuits for financing social welfare. One important objective is to lure for-profit money professionally managed by investment funds – that are the hallmarks of contemporary financialized "coupon-pool" capitalism (Erturk et al. 2008). This comes with the promotion of what is called "blended finance," where various sources of money (public, philanthropic, for-profit equity, and bank loans) are combined and organized in complex cascade-like public-private architectures of contracts in order to maximize the amount of capital directed towards socially oriented organizations, supposedly. Public money can be used, for example, to provide guarantees to private lenders and philanthropic gifts may absorb the potential losses to keep privately invested equity intact. One of the mottos is to use public and philanthropic money "to leverage" for-profit money, on the basis that government and charities are not powerful and rich enough to provide solutions to social issues. Foundations decide to invest part of their capital in mission-related investments and governments are asked to change their laws in order, for example, to facilitate the

[1] In this article, we capitalize the terms "Social Finance" and "Impact Investing" in order to mark the analytical distance towards the social activities and discourses developed in their names.

channeling of profit-seeking money towards non-profitable and subsidized ventures.[2] New financial intermediaries such as Impact Investing funds promise their investors the possibility "to do well by doing good."

Nicholls and Emerson, in the introduction of the first edited book dedicated to the phenomenon, propose using the term Social Finance "to capture more of the full range of instruments, hybrid funding models, and structured deals blending various types of capital" (Nicholls and Emerson 2015b, 2). They propose considering a "spectrum of social finance" (Nicholls and Emerson 2015b, 4) including a wide range from cooperative finance to Impact Investing.[3] The philanthropic side (also referred to as "impact only") of Social Finance is occupied mainly by *venture philanthropy* (a new way of donating on the basis of careful consideration and evaluation of "impact" or "social return"), whereas *impact investing* supposes a financial return (below market if "impact first" or market or above-market if "finance first"). Social Finance thus usually embraces a larger set of practices than Impact Investing, even if "impact investing" has been pushed sometimes by its promoters as an umbrella term to reshape the national financial ecosystems concerning social-purpose organizations (for France, see Chiapello and Godefroy 2017; for South Africa, Ducastel and Ward 2020, in this issue).

As Golka (2019, 19-20) explains, the US and UK originated different versions of Impact Investing that have now widely circulated and hybridized. In "Social impact investing type 12" (US origin), the investees were mainly firms in producing and service markets (such as fair-trade organizations, socially-oriented start-ups, or small businesses situated in developing countries). The purpose was to adapt capital investment to the needs of social entrepreneurs (Cameron 2012; see US cases researched by Hellman [2020] and Barman [2020], in this issue). "Social impact investing type 2" (UK origin) targets social and public service providers that are much more developed in Europe, due to more protective welfare states. These arrangements usually involve smaller funds and intermediaries and build on the general re-ordering of the welfare states (see the UK stories provided by Huckfield [2020] and Wirth [2020], in this issue).

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[2] They should, for example, create a new corporate form for impact enterprises, organize tax breaks for impact investments, expend subsidies (e.g., in the form of loan guarantees), or set (gold) standards for impact investing, as well as certify impact investment managers (Bugg-Levine and Emerson 2011, 118-35).

[3] The book itself (Nicholls et al. 2015) puts together quite diverse financial vehicles such as co-operatives and mutual finance, microfinance, venture philanthropy, social impact bonds, crowdfunding, Islamic finance, and foreign direct investment and private equity. The representation as a continuum – which is blurring the boundaries between grant making and investing – is widely shared by the promoters of these financial practices (Chiapello and Godefroy 2017).

Beyond the variety of the practices involved, Social Finance and Impact Investing find coherence around the so-called "blended value proposition" (Emerson 2003). This declares an end to the opposition between private profit and social welfare/justice. It states that "all organizations create blended value" (Emerson 2003, 45), be they public sector or donor agencies, development banks, philanthropic family offices, or private corporations and financial institutions. In this narrative, they all have to fulfil, in one way or the other, both aims: "It is not a question of either/or, but rather both/and" Emerson states (2003, 38). They require new categories of evaluation, such as "social share value," "social equity ratios," and "social return on investment" (Emerson 2003, 41). These categories would help the non-profit sector to become more business-like and the investors to focus on social outcomes and profit at the same time.

Social Finance and Impact Investing thus provide a rich empirical field for the sociology of quantification (Bruno et al. 2016; Diaz-Bone and Didier 2016; Bartl et al. 2019) – interested in the transformations of public and private numerical techniques of control and planning – the sociology of classification and evaluation (Beckert and Aspers 2011; Krenn 2017) and neo-pragmatist approaches that focus on the vesting of plural values in compromises (Boltanski and Thévenot 2006) or boundary objects (Star and Griesemer 1989). In these traditions, the special issue sheds light onto the difficult and demanding work of financialization and the socio-technical arrangements (Chiapello 2020) necessary to build this new world of blended value. The eight collected articles exemplify how actors struggle to construct new circuits for financing and build compromises between different worlds and value systems that need to be brought together. They also pay attention to the ideological conditions of possibility and historically specific ingredients, techniques, and professionals that spawned the invention of these financial innovations.

After a short presentation of the articles included in the issue (section 1) and an overview of the literature on this phenomenon (section 2), we underline the relevance of this topic for the social sciences by outlining the broader transformative trends it continues to shape (section 3). Social Finance and Impact Investing need to be analyzed as the product of three historical transformations: the financialization of the economy, the growing importance of financers – or rather, of their knowledge and tools – (3.1), the neoliberal turn and the associated changes concerning public management (3.2), and the transformations of welfare states and welfare policies (3.3). Even if Social Finance arrangements are less important in terms of volume, they are fascinating creatures vested with important political interests such as those of the financial industry looking for a restored legitimacy after the 2008 financial crisis. They are also the places of an intense institutional work aiming at bridging hostile worlds between profit and not-for-profit organizations, social and financial targets, donation, and investment logics.

2. Contributions of the Special Issue

This special issue consists of eight articles: four are interested in Impact Investing in the narrow sense (i.e., with financial return expectations) in different contexts (Hellman [2020] and Barman [2020] in the US, Bourgeron [2020] in France, Ducastel and Ward [2020] in South Africa); four address the transformation of social services: Huckfield (2020) and Wirth (2020) investigate UK social impact bonds (SIBs), Caselli (2020) the evolution of the Italian welfare state, and Natile (2020) the social enterprise ecosystem in Kenya. Most of these papers reflect on the building, the use or not, and the claimed specificity and consequences of new categories of evaluation and impact measurements (Barman 2020; Bourgeron 2020; Ducastel and Ward 2020; Hellman 2020; Huckfield 2020; Wirth 2020).

Emily Barman shows the ambiguity of the concept “impact” by analyzing the coming-into-being of the Global Impact Investing Rating System (GIIRS). Mimicking financial rating techniques, this tool developed from classic Corporate Social Responsibility categories. Barman highlights a process of displacement as what is captured in the end by the valuation tools is quite different from what was intended at first.

Antoine Ducastel and *Ward Anseeuw* present a case study on Impact Investing in South Africa, and pay attention to a specific impact monitoring tool and the related conventions of evaluation. Their study shows how something that is enacted at a global scale becomes re-enacted within the particular post-apartheid context.

Serena Natile studies one of the most renowned philanthro-capitalist projects: Mobile Money M-Pesa in Kenya. Here, a big capital consortia consisting of the UK Department for International Development (DFID), the UK-based telecommunications company Vodafone, and its local partner Safaricom create a cashless monetary system, in the context of which an entrepreneurial culture and the social start-up scene are launched.

Jacob Hellman and *Théo Bourgeron* invite us to follow them into the world of impact investors in the US (Hellman) and in France (Bourgeron). Their ethnographies display a high level of detail with which we can understand how impact investment funds work on a daily basis to align financial knowledge with social purposes, and in doing so, create this world of Impact Investing. “Impact” is something that needs to be established – especially, when “nothing yet exists to quantify” (Hellman 2020, 95). The protagonists studied by both researchers valuate with their whole entrepreneurial personas, what they call their “gut,” to bring about this new world. *Bourgeron* also focuses on the process of creating channels of capital circulation through the construction of “impact.” This implies a specific work in order to legitimize and consolidate these investing practices through the carving of specific discourses and management tools (Chiapello and Gilbert 2019).

Davide Caselli reveals the historical process of Italian welfare state transformation in the light of impact investment. He studies how expert knowledge on welfare governance has changed over the years and shows how hard the protagonists have worked to implement the impact investment professional framework and infrastructure in Italy. He also, however, shows how this framework is contested and still not very successful despite all efforts.

Leslie Huckfield and *Manuel Wirth* study SIBs in the UK. SIBs were specifically designed to finance welfare programs (Chiapello and Knoll 2020). They are contractual relationships between the government, a social service provider, and investors, in which investors assume the risk of a failed social intervention based on rigorous outcome evaluation. If the intervention produces savings for the state, they are shared with the investors, constituting their return on investment (Warner 2013). *Wirth* studies a concrete case where youth homelessness is tackled within an impact investment scheme. Wirth's case offers an example of a mature impact investment model in place, developing its business model within an established welfare state infrastructure. *Huckfield* focuses on the political arrival and institutionalization of SIBs in the UK. He compiles their political and legal history and, most importantly, lists all the UK government subsidized co-funding programs. In this way he is dispelling the myth that SIBs are financed via private capital.

Together, the collected articles show the importance of government in the development of what usually appears as a product of private corporations, financial actors, or foundations: Caselli (2020) documents the Italian policies, Huckfield (2020) the role of the UK government, Natile (2020) the interplay between UK development aid policy and the Kenyan government, and Ducastel and Ward (2020) the role of post-apartheid South African politics. The phenomenon is much more a rearticulation of the "hidden investment state" (Mertens and Thiemann 2019), where public sector investments tend to become reframed as private sector investments via public sector accounting (Knoll and Senge 2019). The contributions of this special issue focus on the ambivalent and contested constructions of judgement devices, the complicated alignment of different worlds via socio-technical devices and tools of impact measurement, and the creation and shaping of financial circuits. The government is deeply involved and is asked to change its funding conditionalities and financial instruments. But the story told is not only about devices, it is also about a shift in culture and the establishment of entrepreneurial spirits. What the articles reveal is the demanding and ambivalent process of creating and shaping this new world, but also its critique and the inertia of existing welfare or non-profit regimes. The commodification of social value and solidarity is something quite complicated, contested, and far from obvious. It takes a lot of engagement and institutional effort to reshape existing structures and implement what is considered straightforward: the blending of value.

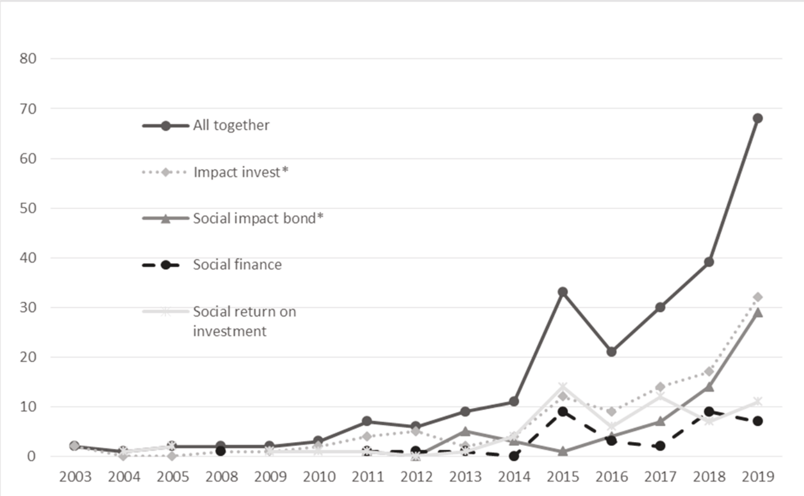
3. Social Finance and Impact Investing in the Literature

In academia, the topic has generated growing interest over the last years, paralleled by the development of initiatives in the political and economic fields. A search request on the topics "impact invest*," "social impact bond*," "social return on investment," and "social finance" in the *Web of Science Social Science Citation Index* shows a continuous increase in the number of articles published over time with an intermediary peak in 2015, following the internationalization of the topic with the G8 initiative that was launched in 2013 (see Figure 1).[4] Over the past three years, the trend has been led by the two topics "impact invest*" (105 articles between 2003 and 2019, 32 in 2019 alone) and "social impact bond*" (64 articles over the same period, 29 in 2019), which are at the core of this special issue. The question of social return on investment (SROI), which we included in the research as an approach of impact measurement, was the first to be widely diffused, but is now plateauing due to the development of other methods,[5] while "social finance" as a broader concept is not taking off. This indicates that the concepts used and the measurement methods applied are not stabilized, which is another indication of the work being done in order to forge a new set of practices. With this special issue, we hope to shed light onto this process of shaping and making of a market, where tools are constantly under critique and subject to attempts of betterment.

[4] The United Kingdom indeed put Impact investing on the G8 agenda during its presidency in 2013 (SIITF 2014) and in 2014 each of the G8 countries produced a national report explaining its position on the issue and determined various action to be taken to promote it (see Chiapello and Godefroy 2017 for France and Caselli 2020, this issue, for Italy).

[5] SROI was invented by the first venture philanthropist of Silicon Valley, and then spread to Europe via the United Kingdom. ("A Guide to SROI" was published by the Cabinet Office in 2009). Yates and Marra (2017) in their introduction to a special issue on SROI present an array of methods and standards of evaluation ranging from randomized control trials (RCT), double, triple, quadruple bottom lines, cost-benefit analysis (CBA), cost-effectiveness analysis (CEA), and social return on investment (SROI).

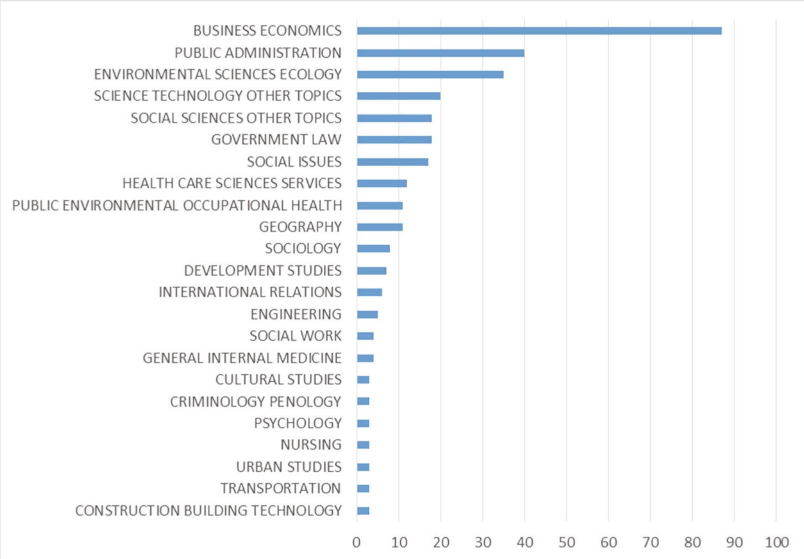
Figure 1: Number of Articles per Year and per Topic[6]



This analysis also shows how academia is not only engaged in investigating the field, but also in building and shaping it (Fraser et al. 2018). One third of the publications are produced in the field of "business economics," and one-sixth in "public administration" (see Figure 2). Publications in the social sciences are scattered in various areas, but if we assemble "social sciences other topics," "sociology," "social issues," "social work," "cultural studies," "communication," "anthropology," and "history," they represent 56 articles over 16 years, still, however, fewer than "public administration" and "government law" together (58) and "business economics" (87). The literature search also reveals a few special issues. Two have been published on social return on investment by *Nonprofit Management and Leadership* in 2015 (Vol. 26, n°2) and *Evaluation and Program Planning* in October 2017 (Vol. 64). One issue of *Research in International Business and Finance* has been dedicated to "impact investing" in January 2019 (Vol. 47).

[6] Source: Web of Science- Social Sciences Citation Index 1956-Present, Dec 31, 2019, Analysis: DOCUMENT TYPES: (ARTICLE), Timespan: All years, showing 236 records for "All together" that is TOPIC: ("impact invest*") OR TOPIC: ("social impact bond*") OR TOPIC: ("social return on investment") OR TOPIC: ("social finance"). The information for each TOPIC is also plot separately.

Figure 2: Number of Articles by Research Area[7]



In the social sciences, the topic was taken up with less but growing intensity. We find that SIBs have generated the greatest resonance in the social sciences (Joy and Shields 2013; Warner 2013; Cooper, Graham, and Himick 2016; Rowe and Stephenson 2016; Dowling 2017; Albertson et al. 2018; Berndt and Wirth 2018; Knoll 2018; Neyland 2018; Carè and Lisa 2019). Furthermore, two special issues on SIBs have been published: one in the *Journal of Urban Affairs*, edited by Eve Chiapello, Lisa Knoll, and Mildred E. Warner (Tse and Warner 2018; Williams 2018; Alenda-Demoutiez 2019; Lilley et al. 2019; Ogman 2019; Riot 2020), and another one edited by Alec Fraser, Clare Fitz-Gerald, and Jonathan Kimmitt published in the *Journal of Comparative Policy Analysis* (Chiapello and Knoll 2020; Dayson et al. 2020; Hajer 2020; Tse and Warner 2020). Impact Investing, which is a much broader and heterogeneous topic, has attracted less interest in the social sciences (McGoey 2014; Barman 2015; Berry 2016; Chiapello and Godefroy 2017; Mitchell 2017b; Kish and Fairbairn 2018; Golka 2019; Jafri 2019, Stolz and Lai 2020), followed by the notions of Social Finance, which seems to have caught on much less as a successful label for the emerging field (Clarke and Tooker 2018; Rosenman 2019; Langley 2020).

[7] Source: same request as in Fig. 1 (236 articles 2003-2019). Each article is associated with one or more "Research Area" (358 research areas declared in total). In this figure, we plot only the areas with more than three publications over the time period.

The special issue at hand aims at capturing the variety of attempts to build this new world and at the same time the multiplicity of threads that are knitted together in order to make it happen.

4. Social Finance at the Crossroads of Three Historical Transformations

The emergence of Impact Investing or Social Finance in the realm of public policies and philanthropy needs to be understood as a signpost of a profound transformation of the institutions of the Western world in which these ideas spread and develop. As a social phenomenon, Social Finance can be analyzed at the crossroads of at least three interlinked developments: the financialization of capitalist regimes, the transformations towards neoliberal modes of government, and the transformations of welfare policies and welfare provision. Indeed, in its proposals, Social Finance concentrates many aspects that are compatible and attractive to the actual political socio-economic regime, ranging from evidence-based politics, the hype around the nudging paradigm, project-orientation and public-private partnerships, entrepreneurialism, and start-ups, to sustainability goals. In the course of its reformist agenda, it needs to be understood as a particular process of financialization (1), a twist in the modes of public sector governance (2), and in welfare politics (3).

4.1 Financialization

Social Finance and Impact Investing have been analyzed as a particular step in the process of financialization (Chiapello 2015; Lake 2015; Dowling 2017; Tse and Warner 2018; Ciarini 2019). Financialization describes a transformation process of the economy that has now been developing for some 30 years (Mader et al. 2020). It refers to the spreading of shareholder-value orientation (Froud et al. 2000; Fiss and Zajac 2004; Faust and Kädtler 2019), to the growing importance of financial activities in developed nations' GDP (Epstein 2005; Krippner 2005; Timmermans and Epstein 2010) and the financial actors' growing influence in economic and financial regulation of investments (Duménil and Lévy 2001; Underhill and Zhang 2008; Tsingou 2012). This financialization process, which is redefining whole sectors of the economy and transforming business operations as well as public policies, also carries with it conceptions of the world, methods of problem analysis, calculation techniques, and decision-making principles, which were originally forged for particular limited fields of practice but are now tending to spread to all questions and human activities (Chiapello 2015, 2020).

Social Finance devices are a good example of how standard financial techniques are spreading outside the usual spheres. They are rooted in the knowledge and capacities of financial actors, which are put to work in order to "do good" or to produce "impact" or "social return on investment." Nicholls and Patton (2015), for example, explain how mainstream financial tools or concepts such as the capital asset pricing model (CAPM), the cost of capital and discount rate, can be adapted to social impact valuation and pricing. This enrolment of mainstream financial thinking to construct new financing tools for social activities (where up to now few profits could be made) may be explained by different factors.

First, Social Finance aims to lure financial actors into the social sector and as such need to use their language and rely on their values. A successful enrolment of financers requires building "bankable" projects, capable of producing financial return for investors (and not only social results), and promising "double return" (financial and social; Hochstädter and Scheck 2015) or "blended value" (Bugg-Levine and Emerson 2011). In the special issue, Bourgeron (2020) and Hellman (2020) provide insights into how financial investors and intermediaries struggle to invent this new way of investing with a social purpose and how their efforts are infused with their standard financial knowledge. Social finance can also be considered as the next step in the field of sustainable or socially-responsible investment (SRI). As Barman (2020) explains in this issue, Impact Investing tries to differentiate itself from former practices, by targeting business models that have a social purpose (and not only screening companies in order to choose the best-in-class among listed companies). Nevertheless, Impact Investing inherits from SRI, of which it mimics the rating practices, and this proximity tends to undermine its capacity to target really different types of investees. A *second* reason for the importance of mainstream financial thinking is related to the type of knowledge and cultural background of those working on this project, as is shown by Bourgeron (2020), Hellman (2020), and Barman (2020) in this issue. A *third* reason can be found in the particular political and economic context that saw the development of Social Finance. Surging after the 2008 financial crisis, when global finance lost societal legitimation and failed to prove its positive contribution to the common good, Impact Investing provided a new example of capitalist recuperation of criticism (Boltanski and Chiapello 2005; Chiapello 2013). Financial markets that were held responsible for economic recession, job losses, growing homelessness, and the emergence of anti-globalization and right wing movements and governments in the aftermath of the financial crisis (Tooze 2018) are now presented as part of the solution rather than the problem. Here, financiers are not the greedy irresponsible people causing the crisis, but responsible people who are potentially dedicating their talent, knowledge, and financial power to serve the common good. The ideological importance for the financial sector of Impact Investing may explain why much of what is known about it has been produced by private think tanks, foundations, academic chairs financed by financial actors, and business applied research that attempt to make it work.

Impact investing and Social Finance might thus be understood as a further step along the long road towards “capitalizing on crisis” (Krippner 2012).

This re-legitimation story is not limited to the global financial crisis. In the case of South Africa investigated by Ducastel and Ward (2020), the Impact Investing ecosystem does not develop in response to the financial crisis, but as a way of structuring the post-apartheid society. Finance is deemed to help the empowerment of black disadvantaged people, and historical financial actors promote Impact Investing to answer the accusation of collusion with the former racist regime. This recuperation can be seen as an attempt at critique neutralization, but at the same time also as the emergence of new practices. If these practices become generalized, they could change the means of providing social services quite significantly.

Therefore, it is important to reflect on the extension of these new practices and evaluate the “strength” of the financialization at stake (Chiapello 2020), which depends on the issues concerned, the national spaces, the channels used, and any resistance triggered by these projects. As such, the different case-studies produced by social scientists (such as Wirth 2020, in this issue) enable an understanding of how controversial these projects can be. Depending on the actors’ position and relations and their relative strength in the situation, the actual experiments display huge variety (Chiapello and Knoll 2020). It is therefore important to grasp the struggles and the contestedness of these implements on the ground, as the contributions of this special issue attempt to do.

4.2 Public Management and Governance

Impact Investing interventions have been analyzed as a particular articulation of neoliberal waves of public policies and administration reform (see, e.g., Ogman 2019 for SIBs). The past decades have indeed not only seen the financialization of capitalism, but also tremendous changes in how the role of the government is conceived (Hood 1991; Stark 2002). These new public management (NPM) reforms are associated with neoliberal policies in the literature (Harvey 2007). Neoliberal policies encompass a vast range of reforms (privatization, deregulation, tax cuts, etc.), underpinned by a common intent to draw more broadly on market mechanisms and private actors, particularly businesses, consulting firms, and NGOs, to regulate the economy and distribute all sorts of products and social services. While the public sector was asked to shrink, cease, or outsource to the private sector services previously performed in-house, the remaining public sector was thoroughly reorganized along NPM precepts.[8] As such, Social Finance provides a new generation of tools of gov-

[8] Hood (1991) proposes seven precepts for analyzing NPM doctrine: 1) hands-on professional management in the public sector, 2) explicit standards and measures of performances, 3) greater emphasis on output control, 4) shift to disaggregation of units in the public sector,

ernment (Hood 1993; Salamon 2002) that develop after waves of public sector reforms that prepared the field. NPM paved the way in terms of changed mentalities, legal frameworks, and fueled the development of a particular set of actors (consulting and intermediary organizations) necessary to put Impact Investing in place. We highlight below three characteristics of Social Finance and Impact Investing practices that support this argument: they are embedded into a celebration of entrepreneurship; they suppose blurred public/private boundaries symptomatic of so called new public governance (Osborne 2006); and they claim to be result-oriented.

Entrepreneurship: Social Finance addresses the social needs and the provision of social services within an entrepreneurial frame. The organizations in charge of producing impactful activities are expected to become financially sustainable. After a short period of public subsidies, and private grants, which are necessary in the early phases, they are supposed to find a "sustainable business model." These organizations are usually imagined as being private, whether for-profit or not-for-profit. They should be funded through a mixture of sales of products and services to clients, beneficiaries, or public bodies. They enter into contracting agreements with governments or donor agencies, from which they are not supposed to receive "subsidies." Instead, they sell them services and are rewarded for their efficient handling of social questions. They benefit from favorable regulation (such as tax exemptions or financial guarantees). The 1990s saw the development of social entrepreneurship (Nicholls 2006; Elkington and Hartigan 2008), where the private sector was expected to perform better than the public sector in social provision. Different concepts and practices have developed over the last decades that share similar ideas regarding the power of private ventures to solve social questions, such as micro-credit (Yunus 1999; Mader 2015), social business (Yunus 2008), bottom of the pyramid strategies (Prahalad 2004), and B-Corp (Barman 2020 this issue). Social Finance can be seen as the next step, when the social enterprises are strong, large and numerous enough to be constituted into an asset class for financial investors. Behind this attraction for social enterprises is the belief that public management tends to be inefficient when not emulated by market competition. Private organizations are considered better managed and more capable of making good use of money, be it public – in the case of sub-contracting – or private money. Social enterprises and organizations financed by Social Finance are also expected to provide innovative solutions. Social financers are said to be able to assume risk, to bet on social solutions, and to finance proofs of concepts, just as venture capitalists take risks by investing money in start-ups (Cohen and Sahlman 2013).

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5) shift to greater competition in the public sector, 6) stress on private-sector styles of management practice, and 7) stress on greater discipline and parsimony in resource use.

New public governance: Social Finance plays a role in the tendency towards dissolving the public/private and profit/not-for-profit divides into a project-based world, fabricating a new public governance form (Osborne 2006; McGoey 2014) made of collaboration and co-production. It comes with new types of public-private partnerships, based on collaborative design involving various stakeholders such as, for example, philanthropists, entrepreneurs, financers, and local authorities. This can be interpreted as an output of the project-based polity (Boltanski and Chiapello 2005) in the ways it brings together actors from diverse backgrounds. The SIB, for example, is a "multi-stakeholder partnership" which spurs "cross-sector collaboration and cooperation" (Baliga 2013, 439). Financial investors, be they social venture capitalists or classic investment banks such as Goldman Sachs, come to be presented as equal deal-makers within an innovative contract structure. Caselli (2020), in this issue, narrates such a transformation of public policies in a developed country (Italy), while Natile (2020) shows how in a developing country (Kenya) these ideas are implemented by Northern development bankers, companies and philanthropists in collaboration with local authorities. In financial terms, these public-private collaborative arrangements can be explained by the impossibility of getting rid of public support for social activities. As Huckfield (2020) explains in this special issue, in the case of SIBs, they can only develop because they are fueled by public money. The devolution to the private sector of social activities organized by neoliberal policies (Winston et al. 2002) does not mean a cease in public financing but a reorganization of the circuits for financing. They become more complex and mixed than when social services were carried out by tax-financed public bodies, but are still fed by public money. The blending of financial sources means that part of the public finance is now dedicated to de-risking investors by providing guarantees or co-investing, or to securing resources by signing long-term provision contracts.

Result-orientation: The capacity of these new intermediaries to correctly manage their money is rooted in their so-called outcome-orientation and their capacity to decipher value-for-money investments. New public management aims to introduce new attitudes and management practices into the public sector, mimicking private companies' procedures and structures (Stark 2002). The part of public activities that is not subcontracted to the private sector should be managed as closely as possible to how it would be if privatized. The development of an evidence-based policy paradigm (Davies et al. 2000) should be analyzed in this light. It advocates the necessity to collect evidence that public money is invested in the most socially profitable projects. As public money is said to be scarce, it is important to choose carefully the activities and contractors that may be financed. Again, on this question Impact Investing displays interesting characteristics as it supposes the development of a new bunch of metrics, indicators, and ratings, providing evidence that the investees indeed produce social impact (Mitchell 2017b, Reisman et al. 2018). As Barman

(2020), Bourgeron (2020), and Ducastel and Ward (2020) show in this issue, the impact investors need to invest in the fabrication of impact metrics in order to communicate their results. This production of metrics is important to legitimate political support. Thus, social interventions become re-imagined in terms of "evidence," "outcome," or "impact," adhering to a form of "factivism" (Mitchell 2017a). The purpose is to move beyond a private versus public dichotomy, emphasizing that what counts is "what works," sketching out various ways in which private and public actors work together to deliver impact and improve the lives of the least advantaged. This is a general movement that can be observed in the design of public policy also driven by the new behavioral experimental economics (Banerjee and Duflo 2009).

4.3 Transformations of Welfare Policies

Social Finance's primary purpose is to organize and manage the provision of welfare services – and its programs should therefore be analyzed as certain articulations of welfare politics (Chiapello and Knoll 2020). In the past decades, we have witnessed important transformations of welfare states impacted by several waves of reform (Palier 2010; Zohlnhöfer et al. 2018), and Social Finance participates and provides tools for the implementation of some of these. In the special issue, Caselli (2020) in the case of Italy and Huckfield (2020) in that of the UK reflect on social impact investment as a development within a longer story of the welfare state trajectory. Two trends in welfare state reform are rearticulated by the Impact Investing theme: the social policy paradigm of individual free-choice and the concept of the social investment welfare state.

Towards more individualistic free-choice welfare system: This trend is rooted in liberal ideas advocating that people should be free to make their own choice. In privatized insurance systems, everyone is responsible for his or her own future social security and has to take on the risk of failed investments. It is, for example, the responsibility of individuals to save for their old age. Retirement systems have been reformed in various countries to leave more space for pension funds and voluntary schemes, an evolution that tends to make pensions more dependent on capital markets (Bonoli 2003, van der Zwan 2017, Frericks and Höppner 2019). Rather than organizing a compulsory social security system, citizens are subsidized to purchase private insurance (see, e.g., premium subsidies for health insurance in the US, or the German 2001 Riester pension reform). Concerning other social services, there is a tendency to let people make their own choice between the different service providers. This can take the form of a shift from subsidizing producers to subsidizing consumers (through vouchers, for example). These transformations of the welfare financing circuits have triggered the development of competition between different service and insurance providers, and authorized for-profit actors to enter these markets. This context is favorable to the development of initiatives that are targeted by impact investors.

Within the free-choice paradigm, welfare policies should mainly help the citizens to invest in themselves, into their own human capital. The state is held responsible for interventions that try to teach the individuals how to be responsible for themselves and to inhibit their reliance on societal solidarity. However, with the dissemination of the free-choice paradigm, dissatisfaction with the bounded rationality increased, and individual choice became an empirical subject of study for behavioral economists (Davies 2012). Here, the focus is on understanding emotions or habits that prevent people from, for example, eating healthily, taking their medicine regularly, or giving up smoking. These insights find their way into the governance of welfare (Pykett et al. 2016; Pykett 2017; Whitehead et al. 2018). Solutions to these problems are considered to be found in the reshaping of the environment that influences choice (Thaler and Sunstein 2008). Wirth (2020 this issue) reflects on the role of this “nudging” paradigm in the SIB he studies. Here, youth homelessness is tackled by charities, where social workers are expected to become professional friends and to be emotionally close in order to achieve greater impacts. At the same time, this newly created friendship-environment is infiltrated by the economic logic of the payment-by-result scheme, putting the pressure of success on the social workers and their emotional link with the clients. Impact Investing attempts often build upon the nudging paradigm, since they both share the idea of measurement and evaluation of interventions.

Towards a social investment welfare state: In the last decades, welfare politics have become considered an “investment” (Morel et al. 2011), and for unemployment policies, “activation” has become the main motto, organized in public-private partnership structures for social and employment services (Heidenreich and Aurich-Beerheide 2014). The unemployed who previously were supposed to receive social transfers as a right should be “activated” (Barbier 2001) to get back to work by investing into their “employability.” A whole range of public policies is redefined as investment policies relying on human capital theory. Education has become an investment into human capital in order to help people increase their competencies, find a job, and earn a living. Health, too, became an investment in good quality personnel able to work longer and with increased productivity. A further step is to invent business models based on the welfare investment paradigm: if it is true that welfare investments pay off in the future, why not share the gained profits with private investors who could pre-finance the service? This is how SIBs were invented.

Social Finance and Impact Investing are at the crossroads of these three major trends. They are recycling their devices and narratives, which are recombined into new formats and tools of governance. This bigger picture makes Social Finance and Impact Investing an interesting and important field of study for the social sciences. They can be considered as excellent starting point to observe the constant but profound transformation of our capitalist societies.

5. Conclusion

We have shown that Impact Investing is much more than a way to "fill the capital gap" in the welfare and third sector, as proposed by its protagonists (Nicholls 2014). Social sciences have an important role to play in making this profound transformation visible. It is a transformation that takes place in the details of metrics, tools of governance, and debt structures that are constantly reshaped. Still, these tools reflect bigger transformations of contemporary capitalism. We can see that Social Finance and Impact Investing develop and grow from taking in elements from the world of high-finance, neoliberal state organization, and new welfare system paradigms. Of course, these transformation processes take place on the ground and display a variety of forms, compromises, and conflicts that the contributions in this special issue document. Impact Investing, however, does not develop in a tabula rasa world, which we indicated by articulating the three trends of capitalist transformation Social Finance and Impact Investing continue to shape. But of course, financialization, public management, and welfare politics are ambivalent and heterogeneous processes that cannot be explained by simple diffusion stories. The shaping of this new world is full of obstacles, criticism, and institutional contradictions. This is why many of the cases collected in this special issue investigate the special mentalities, tools, and practices that are actualized in the situations studied. They also capture the struggles, failures, and problems the protagonists encounter while shaping and criticizing this new world. Building the impact investment world is not a straightforward task. This special issue provides valuable insight into its complexities and the obstacles that the protagonists face.

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Many a Slip: The Challenge of Impact as Boundary Object in Social Finance

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Abstract: *»Einige Ausrutscher: Die Herausforderung des Impacts als Grenzobjekt in sozialen Finanzleistungen«*. This article considers the construction of the market of Impact Investing – financial investment with the intentional pursuit of "impact" alongside financial return – as one case of the broader turn to Social Finance. Impact Investing is championed by proponents for its ability to provide a sustainable and scalable market-based solution to societal and environmental problems, in contrast to the limited efforts of government and civil society. This article delineates the work of the market maker who motivated the construction of a judgment device to address the issue of quality uncertainty in this new market. I offer a genealogy of this rating system for firms as potential impact investments, showing that it was commissioned by proponents of Impact Investing who, having first engaged in boundary work to distinguish Impact Investing from other spaces of Social Finance, then sought to appeal to traditional investors by mimicking the calculative tools used in traditional capital markets. Yet, the adaptation of a financial rating system to the new field was complicated by the multivocal status of "impact" as a boundary object involving multiple, disparate actors committed to the common project of creating a judgement device for impact investment yet diverging on the question of how impact was to be created by businesses and for whose benefit. The result was a slippage between the conception of impact espoused by the market maker of Impact Investing and the type of impact gauged by the rating system itself, with likely reactive effects for impact investors and investees. I conclude by positing that the development of suitable judgement devices that capture and communicate the impact of socially or environmentally oriented financial activity is one critical yet understudied condition for the ability of social finance markets to achieve their promise.

Keywords: Judgement devices, boundary work, boundary object, impact investing, social finance, United States.

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1. Introduction

Impact Investing is a new market of Social Finance (Nicholls, Patterson, and Emerson 2015; Langley 2018), first emerging in the United States in 2007, characterized by investors providing capital with the goal to generate "social and environmental impact alongside financial return" (Chiapello and Godefroy 2017; GIIN 2018a). Impact investments are directed to firms and investment funds that solve a social or environmental problem through a company's positive business model, via the sale of a socially or environmentally beneficial good or service to underserved customers, alongside the production of economic return to investors (Monitor Institute 2009; J.P. Morgan 2010; Bugg-Levine and Emerson 2011). By 2017, US $35.5 billion was invested in this new financial market (GIIN 2018a). The growth of Impact Investing forms part of the broader turn towards Social Finance, defined as the use of financing methods for social or environmental purposes, including Social Impact Bonds, Socially Responsible Investing, and ESG (Environmental, Social, and Governance) investing, among others.

Employing a qualitative case study method and relying on the abductive analysis of interviews with key actors, primary documents, and media reports (Timmermans and Tavory 2012), this article takes as its concern the conditions underlying the growth of the market of Impact Investing in the United States. As expected by the literature on concerned markets (Callon 2009; Geiger, Harrison, Kjellberg, and Mallard 2014), the viability of this new form of Social Finance required not just the creation of a distinctive hybridization of finance and impact, but also the creation of a socio-material infrastructure that turned firms with a positive business model into objects of financial speculation. To achieve that end, the proponents of Impact Investing (the Rockefeller Foundation) commissioned an independent evaluator (the B Lab) to construct a judgment device – the Global Impact Investing Rating System (GIIRS) – through which the "impact" of potential investment opportunities could be assessed, as distinct from their financial value. This rating system was intended to encourage mainstream investors to participate in Impact Investing by mimicking calculative tools employed in mainstream finance.

Drawing from a pragmatist approach to value (Muniesa 2012), this article provides a biography of the rating system as a judgement device. Despite the discursive work of proponents of Impact Investing, the classification system that was introduced by this rating system rendered invisible the precise type of impact – one based around a company's positive business model – that was intended to be distinctive to the field of Impact Investing. Impact investees (firms and investment funds) instead were evaluated according to their equitable treatment of stakeholders and the environment, as characterized by the concept of impact that defined Corporate Social Responsibility, a pre-existing and separate field in Social Finance. This article delineates how this slippage between the type of impact deemed of value and the type of impact that was captured and communicated by this judgment device followed from the multivalent status of impact as a “boundary object” (Star and Griesemer 1989; Star 2010), in that those actors involved in the making of the new market and those actors hired as evaluators to construct this new rating system possessed their own distinct and contrasting conceptions of impact (how businesses could create social or environmental benefit and for whom). While these actors cooperated around the production of a judgment device to gauge impact, their varying understandings of the concept of impact led to a mismatch between what was deemed to be of value and what was valued by the rating system, with likely reactive effects for impact investors who employ the rating system and impact investees who seek to obtain a high rating from it. By tracing out how the construction of a market infrastructure for Impact Investing was disrupted by the multivocal nature of the concept of impact, this article contributes to a growing literature on the conditions for the construction of concerned markets for Social Finance (Callon 2009; Doganova and Karnøe 2015; Barman 2016; Chiapello and Godefroy 2017).

2. Constructing Judgement Devices in Concerned Markets

Impact Investing constitutes one of a number of “concerned” (Geiger et al. 2014) or “civilizing” (Callon 2009) markets which entwines market methods with a social or environmental objective, including clean technology (Doganova and Karnøe 2015), Fair Trade (Reinecke 2010), and carbon trading (MacKenzie 2009). The growth of these fields is premised on the claim that the efforts of government and philanthropy are not enough to solve the global challenges of development but instead require the sustainability and scalability of market-based actors and methods (Barman 2016; United Nations Development Programme 2018). Literature has examined how these new types of markets may arise, taking a pragmatist approach to the study of concerned markets (Chiapello and Godefroy 2017). This literature draws attention to the performative role of the socio-material infrastructure of a market, particularly the role of judgment devices (MacKenzie and Millo 2003; Karpik 2010). These calculative tools facilitate market operation by coordinating actors around a shared convention of value and by classifying and ranking market objects according to that criterion (Espeland and Sauder 2007; Beckert 2009; Beckert and Musselin 2013).

However, with concerned markets such as Impact Investing, the question of uncertainty is exacerbated due to the presence of multiple orders of worth, beyond economic value (Boltanski and Thévenot 2006; Antal, Hutter, and

Stark 2015). In these settings, members of a field must negotiate the question of which of among many qualities to valorize and how e/valuation may occur through the construction of an appropriate judgement device/s. Such markets lack established precedents and may be cases of experimentation (Callon 2009). Authors have noted the challenge and complexities of developing a judgment device that expands beyond the capture of solely financial value to the capture of other types of value (MacKenzie 2009; Hall, Millo, and Barman 2015; Barman 2016).

In the case of Impact Investing, the proponents of this new market recognized the need for a judgment device that, via the construction of a suitable classificatory system, would reduce uncertainty by creating commensurability and so ranking of the non-financial *impact* of potential investments in firms or investment funds. To do so, a "market maker" – a type of actor willing to take on the cost of generating the infrastructure of a market (Poon 2009) – commissioned an evaluator to produce such a device by mimicking credit ratings already present in finance. However, this act of mimicry was complicated by the multivocal status of "impact" as a boundary object (Star and Griesemer 1989; Star 2010). A "boundary object" is a representational form that possesses "interpretive flexibility": it is robust enough to allow for a shared identity across multiple groups engaged in a common project but it is variously defined and employed by those different actors. Critically, via its multivocality (Padgett and Ansell 1993), a boundary object allows different groups cooperatively to work together on a shared project without actual consensus around the presumed goal of such activity. When these communities cooperate around a shared project, the shared but indeterminate nature of a boundary object often produces deleterious and unintended effects, because each group engages in efforts based on their own conception of the term, leading to discrepancies and misalignments. "Each social world has partial jurisdiction over the resources represented by that object, and mismatches caused by the overlap become problems" (Star and Griesemer 1989, 412).

This article demonstrates and delineates the consequences of the status of "impact" as a boundary object in the space of Social Finance. In the multiple arenas that compose Social Finance, impact is often employed as a term that conveys the non-financial, social, and/or environmental benefit that is produced by socially or environmentally oriented market action, such as Corporate Social Responsibility, Socially Responsible Investing, Social Impact Bonds, microfinance, Impact Investing, and the like. The promise of the production of impact is necessary to justify how market-based solutions can be a viable alternative to government intervention or NGO effort, while still generating financial return (Nicholls et al. 2015; Langley 2018). Thus, the concept of impact is employed by actors in multiple arenas of Social Finance to bound this new space as distinct from a traditional view of the private sector as characterized only by rational self-interest.

Yet, as other scholars have noted, while impact is a frequently employed term in Social Finance, it either is not defined by those who use it or it is subject to multiple ambiguous and contradictory definitions (Höchstädter and Scheck 2015; Barman 2016; Chiapello and Godefroy 2017). As a boundary object, impact has a different identity in each of the social worlds that it inhabits in terms of how and for whom the market can be harnessed for good (Star and Griesemer 1989, 409). Yet, while the variegated status of impact has been noted, this article is among the first to examine whether and how the status of impact as a boundary object – subject to "internal heterogeneity" (Star and Griesemer 1989) – affects the project of Social Finance. It employs a relational approach (Emirbayer and Johnson 2008) by examining how actors' interests and position in the multiple fields of Social Finance shaped their lines of action. This article is able to delineate how the simultaneous employment of the concept of impact by multiple actors who participated in the common project (or what Star [2010] calls an "information and work requirement") of producing a rating system for Impact Investing led to a discrepancy between the definition of impact intended to characterize the field of Impact Investing and the conception of impact that was captured and communicated by the rating system as a judgment device.

2.1 The Case of Impact Investing

Impact Investing is a relatively new type of market of Social Finance, first emerging in 2007, which is characterized by investors providing capital to investment funds or firms with the intention of generating social and environmental impact alongside financial return in companies located in developed and developing countries that are "double bottom line" in nature. These locally owned and operated firms – often called Small or Medium Enterprises (SMEs) – are posited to produce financial return for investors and generate impact through their positive business model via the sale of a socially or environmentally beneficial good or service to underserved customers, such as financial services, education, healthcare, clean technology, or affordable housing. These companies can generate additional impact by producing entrepreneurship opportunities or financial services and/or by providing quality employment for individuals otherwise excluded from the market (J.P. Morgan 2010; Bugg-Levine and Emerson 2011). In 2017, the last year for which data was collected, an estimated US $35.5 billion was invested in this market, with those dollars distributed evenly between developed markets and emerging markets (GIIN 2018a).

Three sets of actors compose the Impact Investing industry: investors, intermediaries, and investment opportunities, including individual firms or investment funds. As with mainstream financial investing, impact investors include both asset owners and asset managers. Asset owners consist of individuals and institutions (such as clients of private banks, private family offices, development finance institutions, community development institutions, and charitable foundations) who typically invest using the financial services of asset managers, including boutique firms, or mainstream firms that have separate offices focused on Impact Investing. Intermediaries in the market of Impact Investing include consulting firms, evaluators, government agencies, foundations, and academics, who generate infrastructure and provide consulting and data to participants in the market. Investment opportunities consist of both local firms and investment funds (an investment fund is composed of a consolidated pool of capital, invested by a fund manager in a portfolio of selected, qualified companies). These firms and investment funds qualify for impact investment if they employ or direct investments to businesses that employ a business model that offers a market-based solution to a social or environmental problem (J.P. Morgan 2010; Bugg-Levine and Emerson 2011).

Impact Investment is a global movement that is taking on distinct formulations at the local level. At the international level, a number of powerful actors have advocated for, engaged in, and sponsored the growth of Impact Investing. These include the G8 (G8 Social Impact Investment Taskforce 2013), the OECD (Wilson 2014), and the United Nations (United Nations Development Programme 2018), large charitable foundations, including the Clinton Foundation, the Bill & Melinda Gates Foundation, and the Rockefeller Foundation, and a growing array of financial firms, such as Black Rock, Goldman Sachs, and JP Morgan, which have created units or platforms dedicated to impact investment. As the field has matured, national variants of Impact Investing also have emerged, as in the cases of France and South Africa, each with its own members and local market infrastructure (Chiapello and Godefroy 2017; United Nations Development Programme 2018).

3. Towards a Market of Impact Investing

In the United States, the construction of the market of Impact Investing is attributed by many to the actions of the Rockefeller Foundation; the foundation has been called the "organizing instrument" (Jackson 2013) and the "architect" of this new financial market (Stabile 2010). The Rockefeller Foundation is one of the largest charitable foundations in the world with an endowment of $4.1 billion in 2016 and a mission to "promote the well-being of humanity" (Rockefeller Foundation 2018). Over the years, the Rockefeller Foundation has engaged in a number of core initiatives intended to shape the field of international development. By the late 1990s, the focus of the Rockefeller Foundation shifted to the problem of global poverty, with an emphasis on strategies to alleviate economic inequality in the global South. In 2007, as part of that initiative, the Rockefeller Foundation committed to the growth of Impact Investing. The

Rockefeller Foundation viewed Impact Investing as an innovative private-sector solution to social and environmental problems, superior to both the traditional efforts of government and NGOs. Impact investment would be directed to locally-owned and operated firms that produced financial value for investors through the generation of profit and generate impact through their business model – by selling a socially or environmentally-beneficial good or service that was of benefit to disadvantaged customers (Monitor Institute 2009).

As a case of Social Finance, Impact Investing bore striking parallels to other already existing fields in the private sector that also were premised on the claim that financial activity could be oriented around economic gain and impact. By defining impact as the positive change created by a firm's business model, the Rockefeller Foundation, along with other early advocates, framed Impact Investing as a distinct strategy from those other established views of how markets and morals can intersect in the space of Social Finance. Proponents of Impact Investing engaged in what Chiapello and Godefroy (2017) have called "boundary-building work." By engaging in such a definitional project, proponents of Impact Investing recognized the nature of "impact" as a boundary object that was subject to multiple meanings by different actors in the broader arena of Social Finance.

This effort to demarcate the unique identity of Impact Investing included the discursive construction of a boundary between itself and two other fields in the arena of Social Finance. First, the Rockefeller Foundation sought to distance Impact Investing from Socially Responsible Investing (SRI), a long-standing form of investing, begun in the 1970s, that was initially characterized by investors' negative screening of firms based on the impact of their products (such as the "sin stocks" of alcohol, firearms, and tobacco; J.P. Morgan 2010; Simon and Barmeier 2010).[1] An early publication on the concept of Impact Investing emphasized:

> Impact investors want to move beyond "socially responsible investment," which focuses primarily on avoiding investments in "harmful" companies […]. Instead, they *actively* seek to place capital in businesses and funds that can provide solutions at a scale that purely philanthropic interventions usually cannot reach. (Monitor Institute 2009, 5)

Advocates of Impact Investing also emphasized its difference from Corporate Social Responsibility, a field in which companies are held to account by investors and/or consumers for the effects of their business operations (how firms source, produce, and distribute their products) on the environment and stakeholders (which consist of workers, communities, and customers). Rather than

[1] It is critical to note that the distinction made between Socially Responsible Investing and Corporate Social Responsibility by early proponents of Impact Investing omitted the growing overlap between the two fields as socially responsible investments increasingly employed CSR criteria (Barman 2016).

be concerned with what companies produce, CSR pays attention to the effects on constituencies of how companies produce those goods (Carroll 1991). Emerging in the 1980s, Corporate Social Responsibility constituted a critique of multinational corporations' prioritization of shareholders at the expense of the environment and their stakeholders in a globalizing economy. Revealingly, of the early publications outlining the concept of Impact Investing (Bugg-Levine 2009; Monitor Institute 2009; J.P. Morgan 2010; Simon and Barmeier 2010), none mention companies' responsibilities to their stakeholders as a characteristic of Impact Investing. Three of the five publications reference Corporate Social Responsibility, but only to distinguish the project of Impact Investing from that of CSR (Bugg-Levine 2009; Monitor Institute 2009). In an outline of the project of Impact Investing, for example, the authors conclude: "Such businesses [that produce a good or service designed to further development] are fundamentally different from Corporate Social Responsibility (CSR) initiatives" (Simon and Barmeier 2011, 2).

3.1 Constructing the Market Infrastructure of Impact Investing

Having engaged in boundary building to distinguish Impact Investing from other fields of Social Finance, the Rockefeller Foundation acted as a market maker by putting significant resources into the growth of Impact Investing. The Rockefeller Foundation sought to develop the field of Impact Investing by drawing in "mainstream" or "traditional" investors. At the time, the majority of established investors in Impact Investing in the United States were charitable foundations (Monitor Institute 2009; J.P. Morgan 2010): the goal was to "expand the community of Impact Investors" to incorporate mainstream investors in order for Impact Investing "to move from niche to mainstream" (Palandjian 2010, 2).

In 2007, the Rockefeller Foundation created the Rockefeller Impact Investing Collaborative (RIIC) whose members committed $38 million in 2008 to study how mainstream investors could be attracted to the new field (Monitor Institute 2009; Lane 2015). Three challenges were recognized as central to that task, one of which consisted of the lack of an "enabling infrastructure" to assist conventional investors. In this last concern, the issue of what counted as of value in the market, how the impact of investments could be evaluated by investors, and by what types of judgment devices were considered by the report's authors to be a central problem that had to be resolved if the industry was to grow into a mature market (J.P. Morgan 2010; Bugg-Levine and Emerson 2011). Impact investors would need to be able to gauge the value of an investment according to its impact (Monitor Institute 2009).

From the perspective of the market makers for Impact Investing, this problem of uncertainty could be eliminated with the construction of a valuation infrastructure, composed of a reporting standard of impact (what would become the Impact Report Investing Standards) and a rating system (what would become the Global Impact Investing Ratings System) that assessed investees' impact (Bouri 2011; Barman 2015).[2] The rating system would compare investment opportunities according to the amount of impact – social and/or environmental – produced by a firm's business model or by those of the investment fund's portfolio companies (Monitor 2009; Bugg-Levine and Emerson 2011). The rating system was to be modeled after the established ratings systems in the mainstream financial industry, including Morningstar's ratings of mutual funds and Moody's credit ratings.[3] A respondent outlined to me in an interview: "Think Standard & Poor's but for social and environmental impact. That's what they were aiming for." These long-standing ratings agencies provide investors with what the evaluator posits to be independent and objective valuations of the capacity of debtees or mutual funds to meet their fiscal responsibilities.[4]

The rating system for Impact Investing was intended to serve as a similar judgment function for impact investors but to gauge instead the non-financial impact of firms and funds. A senior executive at the Rockefeller Foundation outlined: "The idea is for investors who don't want to go deep into the data to have a service that does that on their behalf to scale this industry and allow it to grow" (Chang 2014). Central to the emulation of financial practices of valuation was the creation of commensuration – the "comparison of different entities according to a single metric" (Espeland and Stevens 1998, 313). In this case, the universal metric was intended to be the amount of impact produced by a firm or fund's positive business model. Investors would learn how the impact of an investee compares to "generally accepted set of benchmarks for low, medium and high impact investments" (Krogh 2009, 17).

3.2 Evaluators and the Construction of a Rating System

The Rockefeller Impact Investing Collaborative in 2007 hired the B Lab – a nonprofit committed to the adoption of CSR practices by American companies – to modify its own existing judgment device, the B Impact Ratings System, to create a new rating system of firms and funds for Impact Investing (Olsen and

[2] In addition, the Rockefeller Foundation also commissioned the construction of a standards system called IRIS (Impact Reporting and Investing Standards), for firms and investment funds to report on their impact (Barman 2015).

[3] This tendency to employ the forms of analysis and calculation of finance to other spaces is increasingly prevalent, particularly in the space of Social Finance (Chiapello 2015; Barman 2016).

[4] Moody's Investor Services, as with Standard & Poor's, assigns a credit rating tier (ranging from AAA to C) to a corporate or government bond based on the likelihood of the bond issuer meeting its financial commitments. In contrast, Morningstar rates mutual funds from one to five stars, based on an estimation of the fund's risk-adjusted return, relative to similar funds.

Galimidi 2008a, 2008b). Yet, this common project did not unfold as intended, due to the role of the B Lab as an independent evaluator replete with its own biography and interests. Through discursive work and/or the creation of calculative tools (such as ratings and rankings), these "third parties" (Espeland and Sauder 2007) work to define and to assign value to entities in a market and to develop market devices which then "stabilize" that order of worth. Yet, as scholarship has demonstrated, any evaluator does not simply make material existing understandings of value but also actively constitutes it through its actions as an independent market intermediary (Bessy and Chauvin 2013).

Begun in 2006 as a nonprofit by three business executives, B Lab's stated mission was to encourage businesses "to be a force for good" by legitimizing their pursuit of corporate social responsibility in the American marketplace (André 2012, 133). B Lab drew from the logic of CSR by emphasizing that firms should be accountable to stakeholders in their business operations, their governance/leadership practices, and their treatment of stakeholders and the environment. The founders of B Lab had identified multiple challenges to the diffusion of Corporate Social Responsibility in the US private sector. First, B Lab posited that some companies that would like to implement CSR practices felt compelled by their legal obligation to only maximize shareholder return. B Lab's solution was the creation and dissemination of a new legal category of the "Benefit Corporation": a novel type of firm that – if authorized at the state level – would be legally permitted to produce both profit and positive impact for stakeholders. Secondly, and more saliently, B Lab believed that resource providers to businesses, including consumers and investors, were unable to determine if firms were socially and environmentally beneficial because they had no objective standard for judgment (Marquis, Klaber, and Thomason 2010).

To address this problem, the B Lab created the B Impact Rating System: a judgment device that would evaluate the entirety of the firms' business operations and label it as a "B Corps" if it possessed a sufficient number of CSR practices and policies (Lawrence 2009). First disseminated in 2007, the B Impact Ratings System consisted of a free online assessment of a company's CSR performance. A firm could earn the majority of its potential points based on its leadership (whether the company integrated a social and environmental commitment into its mission, had board accountability, engaged in transparency of reporting, and possessed a supplier and/or Fair Trade code of conduct) and the effect of its operations on stakeholders. For the environment, the B rating system asked if the company had policies in place to measure, communicate, and reduce its environmental impact. For employees, a firm was evaluated based on its provision of appropriate compensation and benefits, allowed employee ownership, and offered a safe work environment. For the community, data was collected on a company's treatment of the local community, the breadth of its ownership, and its engagement in philanthropy. For consumers, B Lab evaluated a business's production of beneficial services, beneficial mode of community.

Figure 1: Example of Sample B Report (2008)

Certified B Corporation™
bcorporation.net

the change we seek™

Sample B Report™ Last Updated: 00/00/00

XYZ Manufacturing, Inc.

Composite B Score: 81.3

(> 80 out of 200 is eligible for certification as a B Corporation)

	Points Earned	% Points Available
Environment	**13.1**	**28%**
Corporate Offices	9.1	49%
Transportation / Distribution	2.9	50%
Manufacturing Facilities	1.2	5%
Employees Area of Excellence*	**31.7**	**75%**
Compensation & Benefits	17.3	72%
Employee Ownership	7.4	77%
Work Environment	6.9	82%
Community	**12.5**	**29%**
Local	3.1	42%
Diversity / Broad Ownership	4.0	34%
Charity / Direct Service	5.5	23%
Consumers	**19.3**	**40%**
Beneficial Products / Services	0.0	0%
Beneficial Method of Production / Impact	19.3	100%
Serving those in Need	0.0	0%
Leadership	**4.7**	**24%**
Governance / Accountability	0.0	0%
Transparency / Reporting	0.4	13%
Fair Trade / Supplier Code of Coduct	4.3	44%
Total	**81.3**	**41%**

Source: B Lab 2008.

In addition, a company could earn additional points based on whether it distributed profits to stakeholders and by whether it sold beneficial products (B Lab 2009). To be certified as a B Corps, a company needed to earn a cumulative score of at least 80 out of 200 points and pay an annual licensing fee to B Lab (Lawrence 2009). The B Lab then prepared a B Report on the business, an early 2008 version of which is shown in Figure 1, which listed the total score obtained by the company as well as its constituent scores in the main CSR impact areas of employees, consumers, the environment, and leadership (B Lab 2008). By 2009, the B Lab had certified 350 B Corps with $1.1 billion in revenue (B Lab 2009).

3.3 GIITS as an Impact Rating System

Intent on commissioning a rating system to gauge the impact of investments, the Rockefeller Impact Investing Collaborative hired the B Lab to create a new rating system designed for use in Impact Investing. It began with a $500,000 grant to B Lab that was followed by an additional $6 million over the next several years (GIIRS 2010b). Yet, while paid to create a rating system for impact investing, B Lab moved forward with a CSR conception of impact and with its organizational goals in mind, so constituting an example of cooperation without consensus, as typically occurs with a boundary object (Star and Griesemer 1989). The B Lab already had realized that it could foster the growth of B Corporations by not just working with consumers but also by facilitating CSR-based investment (B Lab 2009; Marquis et al. 2010). As a result, B Lab saw the offer to generate a rating system for Impact Investing as a sponsored opportunity to generate an "investor-facing" version of its own rating system for its own use, rather than viewing it as a stand-alone judgment device for the nascent market of Impact Investing (Krogh 2009): GIIRS was to be used "to both certify companies as B Corporations and issue GIIRS ratings" (GIIRS 2011a, 4).

To meet that dual goal, B Lab engaged in multiple meetings with various proponents of and participants in Impact Investing. It created a B-Lab nonprofit subsidiary (called GIIRS) to develop the intended judgment device as well as sponsoring the formation of Standards Advisory Boards for developing and developed markets. GIIRS beta-tested the proposed rating system with "pioneer funds" and "pioneer firms" who were already committed to the principle of Impact Investing. Finally, in 2011, the new rating system, called the Global Impact Investment Rating System, was announced by B Lab and by the Global Impact Investing Network at a meeting of the Clinton Global Initiative (GIIRS 2011b).

At first glance, B Lab seemingly succeeded in delivering the type of rating system initially envisioned by the proponents of Impact Investing. Drawing from a firm or investment fund's answers to an online survey of its policies and practices, GIIRS gave a rating of one to five stars based on the amount of "impact" generated by the firm or fund. In so doing, and as intended by the market makers for Impact Investing, GIIRS mirrored existing judgment devices in the mainstream financial industry, such as Morningstar's ratings of mutual funds and Moody's credit ratings, by generating the commensuration of potential investments for impact investors (GIIRS 2010a, 2011a).[5]

Yet, as a result of the particular biography of this judgment device – one replete with "traces of multiple viewpoints, translations and incomplete battles" (Star and Griesemer 1989, 413), the newly unveiled rating system did not align in important ways with the conception of impact intended to distinguish Impact Investing from other participants in the space of Social Finance. To be sure, the new rating system did gather data on the presence of a positive business model. However, both in its methodology and its reporting of a firm's impact rating, the new rating system incorporated and communicated a CSR conception of impact, so maintaining important similarities to B Lab's original B Rating System.

Methodologically, GIIRS required a firm or investment fund to answer online questions about the generation of two different types of impact – its business operations and its business model. First, reflecting B Lab's own conception of impact as generated from a firm's business operations, GIIRS required a firm or investment fund to provide information about its (or its investees') CSR performance – its practices and policies regarding leadership (what it also began to call accountability) and the environment, as well as its treatment of workers and the community as key stakeholders (GIIRS 2011a). For example, in the area of workers, GIIRS (2011a) awards points to a company for the presence of desirable practices concerning "compensation and wages, worker benefits, training and education, worker ownership, job flexibility/corporate culture (developed markets only), human rights & labor policy (developing markets only), management and worker communication, and occupational health & safety."

Along with the measure of a firm's CSR performance, GIIRS also assigned value to companies based on the presence of a "socially and environmentally-focused business model" (SEM), so incorporating the discourse of Impact Investing.[6] Here, GIIRS departed from the B Rating System, as shown in Figure 1 (B Lab 2008). As shown in Table 1, GIIRS assigns points when a company creates impact through an intentional positive business model – the sale of a good or service that is "community or environmentally oriented," in "contrast to good business operations" (GIIRS 2012, 5). A positive business model is based on a firm's sale of "community-oriented products and services" for which a company receives points if its products or services are specifically

[5] GIIRS had other strengths as a rating system: it was an independent and objective third-party source of transparent and verifiable data (GIIRS 2010a).

[6] In addition, the GIIRS methodology could assign points to a company if it possessed a business model in which supply chains benefited specific stakeholders to alleviate poverty or was designed to increase wealth and decision-making power of historically underserved stakeholders (GIIRS 2011a).

designed to "provide significant social benefit to consumers," including "basic services, health, education, economic development, arts & media, flow of capital to purpose driven enterprises." A company also can receive points if it possesses an environmentally-oriented business model in that its products or services are designed to provide "significant benefit to the environment, including renewable energy, resource conservation, waste reduction, land or wildlife conservation, pollution prevention, education" (GIIRS 2011a).

Table 1: GIIRS' Conversion of Socially and Environmentally-Focused Business Model to Corporate Social Responsibility Impact Area

SEM Business Model	CSR Impact Area
Social Enterprise (formalized through governance structure)	Governance
Worker Ownership (e.g. cooperatives)	Workers
Community Owned Products & Services	Community
Workforce Development (chronically unemployed populations)	Community
Supply Chain (small-scale +/or Fair Trade Certified)	Community
Local (supply chains, ownership, banking, customers, +/or giving)	Community
Local Economic Development (privatization or import substitution)	Community
Producer Cooperative	Community
Charitable Giving (>20% profits)	Community
Environmental Practices	Environment
Environmentally Oriented Products or Services	Environment

Source: GIIRS 2011a.

Yet, while data was collected on the company's employment of a positive business model, this information was not included in the resulting GIIRS report. Instead, as outlined in Table 1, GIIRS methodology instead converted the presence of each type of business model into the accrual of points for one of its CSR-based "impact areas" of governance, workers, community, or the environment. So, for example, a company that possessed a business model that focused on workforce development would receive points in the relevant CSR impact area of the "community," as one instance of the practice of equitable compensation, benefits, and training.

Figure 2: Example of Sample GIIRS Report

EMERGING MARKETS
COMPANY IMPACT RATING REPORT

GIIRS
IMPACT RATING
★ ★ ★

Company name:
Primary Solutions

Current Rating: 61%

Generated from weighted answers to 170 question on-line GIIRS Survey. The GIIRS survey assesses a company's impact on each of its stakeholders over time.

Social and environmental performance ratings comparable across geography, industry and company size.

COMPANY PROFILE

Date Founded:	01/01/06
Location:	Tanzania
Sector:	SGB
Industry:	Health
Products/Services:	Primary Healthcare Services
Website:	www.primarysolutions.com

COMPANY RATING DETAILS

	% Points Available
Accountability ★★★★★	**65%**
Governance/Accountability	88%
Transparency/Reporting	80%
Employees ★★★★½	**80%**
Compensation & Benefits	90%
Employee Ownership	55%
Work Environment	81%
Consumers ★★★★★	**60%**
Beneficial Products/Services	50%
Serving Those in Need	71%
Community	**27%**
Local	36%
Diversity	24%
Charity/Direct Service	26%
Environment ★★★★★	**72%**
Corporate Offices	61%
Transportation/Distribution	75%
Manufacturing Facilities	80%
Overall Rating	**61%**

Powered by B Lab

Source: GIIRS 2011a.

As a result, as shown in Figure 2, because of the conversion of a business model to a CSR impact area in its calculative methodology, the GIIRS firm or fund report did not include a rating of the presence of a positive business model for a firm or fund. The GIIRS company rating report – the only information made public to investors by and about a firm or fund – included only the total overall impact rating (a point score and an allocation of one to five stars) and the

GIIRS rating for each of its four CSR-based impact areas: accountability (what it was then calling governance or leadership), community, environment, and employees. No separate, stand-alone rating or score was provided for a firm or fund's employment of a "socially or environmentally focused" business model (Marquis et al. 2010; GIIRS 2011a).[7]

4. Theorizing GIIRS' Reactivity for Impact Investing

With the construction of GIIRS, the market makers for Impact Investing achieved their goal of creating a valuation infrastructure to facilitate mainstream impact investment. As was intended by its creators, GIIRS has become a commonly used rating tool in the field of Impact Investing, although it has by no means become ubiquitous. By 2016, over 6,000 companies had received a GIIRS impact rating (Clark 2016). Impact investors report that they frequently employ GIIRS as a ratings tool (although it is often used alongside or integrated with investors' own customized methods; Best and Harji 2013; Lazarini, Cabal, Pongeluppe, Ferreira, and Rotondaro 2014; Reeder, Colantonio, Loder, and Rocyn Jones 2015). In a 2017 survey of impact investors by the Global Impact Investing Network, for example, GIIRS was the most employed rating tool used by investors in developed markets and the second most common judgment device for investors focused on emerging markets (after the United Nations Sustainable Development Goals; GIIN 2018b).

Yet, while GIIRS did constitute a universal metric of impact that was created for impact investment akin to financial rating systems, it did so by incorporating criteria taken from CSR, recognized from the start by key proponents as antithetical to the distinguishing characteristics of Impact Investing. It is fruitful to consider the likely consequences of the widespread use of this rating system for the field of Impact Investing. Scholarship provides a number of expectations and critiques, highlighting the reactive effects of GIIRS for investors and investees, so potentially reconfiguring the identity and practices of Impact Investing. A pragmatist approach emphasizes the reactive role of judgment devices: rating, rankings, and ratios identify, valorize, and so bring a particular notion of value into being (MacKenzie and Millo 2003; Espeland and Sauder 2007). In this case, given the dual conceptions of impact captured and communicated by GIIRS, it might be expected that the definition of "impact"

[7] By 2013, likely due to the mismatch between the identity of Impact Investing and the type of CSR-based impact areas communicated by a GIIRS report, pressure from the "impact investor community" led the B Lab to modify its company rating report to include both a measure of "business operations" and a measure of the "impact business model" (B Lab 2013). Nonetheless, as a rating system, GIIRS continues to evaluate firms and funds in part according to their use of CSR-based business operations.

that characterizes Impact Investing will expand beyond the positive effects of firms' business models to also incorporate the effects of their business operations for stakeholders and the environment. This shift should be evident not only in the discourse of the field but in the criteria used by investors to select impact investments (Dadush 2012). Given that impact investors draw from GIIRS to compare investment options, then they should direct their financial resources towards firms and funds that are rated highly by GIIRS – those that not only create impact through their positive business model but also those that design their business operations around CSR principles. Further, the widespread use of GIIRS will likely generate reactive behavior among impact investees. Firms or funds can be expected to focus resources on the optimal organization of their business operations in order to improve their GIIRS score, potentially at the expense of most effectively and efficiently delivering a socially or environmentally beneficial product for their target customer.

5. Conclusion

This paper analyzes the field of Impact Investing as a case of Social Finance where financial activity is promoted as a means to pursue firms' generation of economic return and the production of impact through their business models. The growth of this new market required not just market makers' discursive specification of the precise type of impact produced by this type of financial activity, as compared to other Social Finance spaces, as an instance of boundary-building work, but also those actors commissioning of an evaluator to create a socio-material infrastructure that facilitated engagement by investors and transformed potential investees (local firms or funds) into objects of financial speculation. The realization of the market of Impact Investing was deemed contingent upon the creation of a judgment device that resolved the issue of quality uncertainty concerning the measure of the non-financial impact of an investment for investors.

Drawing from an in-depth, qualitative case study, I accounted for the construction of a rating system for Impact Investing. By outlining the biography of GIIRS as a material object (Kopytoff 1988), I detailed how the judgment device's classification system and methodology – what was captured and communicated as impact by the rating system – followed from advocates' goal of creating a universal metric that resolved quality uncertainty for mainstream investors of the non-financial impact of an investment, modeled after rating systems in the financial market, such as the credit ratings of *Moody's* and *Standard & Poor's*.

Yet, the goal of creating commensurability via mimicry was complicated by the multivocal nature of impact as a boundary object in Social Finance. Importantly, a boundary object is characterized both by flexible interpretation on the part of different actors and by groups with differing interests cooperating around a common task (Star 2010). Thus, the use of the concept of boundary object entails attention to both cultural and relational conditions. On the one hand, impact as a distinguishing component of Social Finance was (and remains) characterized by consensus when viewed from a bird's eye view – it signifies the non-financial benefit that is posited to be achievable, alongside financial return, by socially or environmentally-oriented action in the market. On the other hand, actors in the constituent spaces that comprise Social Finance have espoused distinct notions of precisely how companies can achieve impact and for whom. These differences in the definition of impact at the granular level, however, only became salient for the market of Impact Investing in a specific relational context; in this case when the market maker/s for Impact Investing commissioned an independent evaluator with a biography and interest in promoting Corporate Social Responsibility to create the desired rating system. This shared project, while characterized by consensus of purpose, nonetheless resulted in a discrepancy between the conception of impact that distinguished the market of Impact Investing and the conception of impact that was captured and communicated by the resulting rating system, with likely reactive effects for impact investors and investees.

The findings of this study have broader implications for the study of concerned markets and, more specifically, for the case of Social Finance. Scholarship on concerned markets – spaces that bring together manifold and plural modes of value – must attend not only to how actors innovatively create a new hybrid quality convention but also to whether and how judgment devices are brought into being that coordinate market members around the new order of worth and that evaluate market objects according to that new criteria. The case of Impact Investing suggests such processes are not straightforward but instead complicated by the diverging imaginings and interests of those actors involved in generating a valuation infrastructure for a new concerned market. In so doing, the article affirms a pragmatist approach to value which examines the biography of the constituent mechanisms, devices, and rules that assign and so perform value (Muniesa 2012). This process is further complicated for Social Finance, given the ambiguous and variegated nature of impact across its constituent fields. Thus, a full account of the conditions for a market of Social Finance to succeed must attend to both the cultural and relational factors that shape its valuation infrastructure. As other markets of Social Finance emerge, and as new judgement devices in the form of additional ratings, ratios, and rankings are created in existing and new fields to capture and communicate impact, scholars would be wise to attend to how and via what causal pathways such calculative tools come about and how they define or re-define the seemingly already established categories and classifications of impact for each nascent arena of Social Finance.

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Impact Investing in South Africa: Investing in Empowerment, Empowering Investors

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Abstract: *»Impact Investing in Südafrika: In Ermächtigung investieren und Investoren ermächtigen«*. This paper examines how Impact Investment (II) becomes part and transforms structured accumulation regimes and circuits, with a particular emphasis on South Africa's agricultural sector. Through the joint implementation of a macro study of the South African II circuits, and a micro study of a particular II fund's practices and impacts, the paper develops an in-depth political economy assessment of II circuits in order to historicize these circuits, to map the South African II community, and to characterize the power balances presently structuring it. Rather than highlighting ruptures, it draws the attention to the historical continuities and path-dependencies as II related tools are rooted into older financial practices, shaping today's II development and practice - hence questioning II as a tool for empowerment.

Keywords: Impact Investment, investment funds, Agriculture, Empowerment, political economy, South Africa.

1. Introduction

> The fact is that there are at least ten million people out there who could drop dead tomorrow without having an impact on the Johannesburg Stock Exchange. (Ferguson 2015, 11)

Quoting a South African sociologist, James Ferguson illustrates the radical disconnection between financial market on one hand, and large groups of South Africans kept aside from the financial circuits of accumulation. However, in October 2018, a South African National Task Force for Impact Investing (II) has been set up gathering major JSE actors: i.e., private banks (ABSA), asset management companies (Investec), insurance companies (Old Mutual) as well as government agencies (e.g., the Financial Service Board or the National Treasury), and several recognized impact investors, experts, and academics. This hub aims officially to "*achieve socio-economic justice in South Africa by*

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building an inclusive and sustainable economy."[1] This raises a genuine question: is the South African financial industry engaged in a "social U-turn"?

Beyond South Africa, II experts and organizations are developing all over, as is well illustrated by the Global Impact Investment Network (GIIN) established after the 2007/2008 financial crisis. According to its promoters, three characteristics define and differentiate II from other financial practices and circuits: (1) intentionality to address a social or an environmental challenge; (2) investment with return expectations; (3) impact measurement (UNDP 2015).

Rather than looking for objective practices, tools, or moral beliefs, we consider II as an ongoing process, i.e., financial circuits in the making (Ducastel and Anseeuw 2018), continuously defined and re-defined by actors' cooperation and competition. As stated by Théo Bourgeron (2020, 119), in this special issue), "impact investors are engaged in the construction of the impact investing sector as they build the norms and devices that constitute its financial channels." Beyond this material infrastructure, a broad range of practitioners, experts, and regulators, at both global and national levels, engage into an II's definition and legitimation work constantly (re)framing the borders of this emerging asset class.

Since its emergence in 2007, extensive literature has been produced about II. Firstly, by II practitioners highlighting its transformation potential in both developed and developing countries.[2] Later on, by social scientists, who largely criticize and perceive II as a "financialization" of the welfare state (Golka 2019), disseminating financial logics, actors, valuation instruments, and conceptions in non-financial spheres (Chiapello 2015). Moreover, academics noticing the fragmented dimension of the II field established several typologies according to the financiers' political and moral beliefs and/or professional practices and devices (Barman 2016; Chiapello and Godefroy 2017).

Existing II's typologies tend to de-contextualize II circuits often neglecting the weight and influence of social, economic, and political structures over actor's practices and socio-technical devices. However, II practitioners and promoters are embedded into broader growth or accumulation regimes characterized by particular institutional compromises (Boyer 2000). Such a de-contextualization is even reinforced by the Northern countries' bias in the II literature. Indeed, existing studies tend to focus on developed countries, such as France (Chiapello and Godefroy 2016) or the UK (Golka 2019), with few – if any – assessing the implementation of II in developing countries.

To fill these gaps, our paper will examine how II becomes part and transforms structured accumulation regime and circuits in South Africa. To answer

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1 South African National Task Force for Impact Investing website <http://impactinvestingsouthafrica.co.za/> (Accessed on 16 July 2019)

2 See for instance the annual "Impact Investors survey" published by JP Morgan in partnership with the GIIN.

this question, we will implement in parallel a macro study of the South African II circuits, and a micro study of a particular II fund's practices and impacts. By doing so, we were able to develop an in-depth political economy assessment of II circuits in order to historicize these circuits, to map the South African II community, and to characterize the power balances presently structuring it. Rather than highlighting ruptures, we will draw the attention to the historical continuities and path-dependencies as II related tools are rooted into older financial practices, shaping today's II development and practice. In addition, we will open the black box of II concrete practices beyond official targets and purpose statements.

Indeed, so far, the above mentioned literature remains largely focused on narratives (Golka 2019) or investment decision making (Bourgeron 2020), without assessing the instrument's concrete and local uses. The risk of such assessments is to underestimate the actors' interactions and to take for granted II promoters' narratives. On the contrary, assessing II at ground level exposes instruments' hijacking and unintended effects. For instance, our case study shows how II metrics and tools participate to a "depoliticization" of rural development in South Africa while reinforcing financiers' control over farm workers. As such, focusing on who these impact investors in South Africa are and what they effectively do with the II related tools, we aim at clarifying the articulation between II circuits and the broader South African accumulation regime.

South Africa is an interesting case study of a developing country with a dual economy: on one hand, it includes a better-off, middle-income economy mostly developed around a "mineral-energy complex," i.e., a macroeconomic accumulation regime relying mostly on its mining industry – gold, coal, platinum (Fine and Rustomjee 1997). In addition, the country has a long-standing and powerful financial industry, which generates an increasing part of the domestic revenue: 21% of the GDP in 2013 (Ashman, Fine, and Newman 2011). On the other hand, the post-apartheid society is profoundly unequal with previously disadvantaged racial groups still largely affected by poverty, unemployment or the HIV/AIDS epidemic and mostly confined into rural former homelands or urban townships without access to welfare and basic services (Jacobs and Hart 2014). These embedded dualities have been shaped by public policies during the apartheid regime in order to secure and foster the accumulation regime (O'Meara 1996). Despite the 1994's change of era, ending more than 50 years of apartheid, the hegemony of the dominant accumulation circuits continued and even expanded while a new "redistributive policy" has been implemented (Ferguson 2015).Therefore, it is worth analyzing the emergence of II in such a polarized political economy: does II effectively transform the dominant accumulation circuits?

The data presented in this chapter have been collected mainly through participative observations, during a visiting position of four weeks at Green Firm in June 2014, during which a study was to be realized on methodologies for social and environmental impacts' financial valuation (a tool Green Firm wants to develop). This immersion, which included office work and visits to Green Firm's farm in the Northern Cape Province, was an opportunity to observe and analyze the concrete practices and rationalities associated with asset management, and, more precisely their financial work, decision-making processes, daily practices, and farm management in practice.

2. A Long-Term Perspective on II in South Africa

2.1 Impact Investment in South Africa from "Volkskapitalism" to Black Economic Empowerment

The Global Impact Investing Network (GIIN)[3] initiated its South African experience in the 2000's, when the II movement also took off at global scale. In its report "The landscape for II in Southern Africa" published in 2016,[4] the GIIN tracks II from 2005 onwards: 7358 deals accounting for about 30 billion dollars, highlighting a steady growth in the region. In the 2000's, the impact rhetoric was indeed adopted by South African investors, as promoted by development banks and business schools such as the Bertha Centre for Social Innovation and Entrepreneurship at the University of Cape Town which is to date still the administrator of the National task force for II. At the same time, the first South African II asset managers and service providers joined the II global networks.[5]

However, these investment practices can be traced back to the development of the country's racialized regime of accumulation in the early 20th century. Since the late 21st century, the South African political economy is structured around the "mineral-energy complex," historically supported and dominated by British imperial conglomerates. From the 1930's, marginalized Afrikaner elites promoted a nationalist project with the objective to develop a "volkskapitalism" (O'Meara 2009), i.e., a capitalism by and for Afrikaners. From then onwards, the support to small and medium Afrikaner enterprises and the empow-

[3] A pioneer initiative launched by the US Rockefeller Foundation in 2007 to promote II globally. Today, the GIIN gathers about 300 members – asset owners, asset managers, and service providers; a sister association organizes II training sessions, promotes its own II rating system, and produces abundant grey literature on this "new asset class" – e.g., its annual "*Spotlight in the market. The impact investor survey.*"

[4] This report prepared by a network of financial actors engaged in the promotion of a "new asset class" must be taken for what it is worth. With this precaution in mind, however, it gives us an overview of the state of the II industry in South and Southern Africa.

[5] Ashburton Investments and Phatisa joined the GIIN.

erment of an Afrikaner bourgeoisie became strategic for this “Afrikaner nation’s promoters.” As such in 1940, Sanlam, an Afrikaner insurance company, created a financial holding, the “*Federaal Volks’ Investment*,” to collect savings from Afrikaner farmers and employees in order to “*afrikanize*” parts of the economy and to develop small and medium enterprises owned and developed by the Afrikaner fraction of the population. At the same time, the South African government implemented Development Financial Institutions (DFI), such as the Industrial Development Corporation (IDC) in 1939. This public institution aimed at developing industrial capacities in South Africa, and after the victory of the National Party in 1949 to empower Afrikaans entrepreneurs (Clark 1994).[6]

After the end of apartheid in 1994, industrial and financial conglomerates – henceforth controlled by a coalition of Afrikaners and English speaking elites – maintained and deepened their domination of the national economy in the framework of a liberalized and deregulated economy (Bond 2000). The control of these conglomerates, often seen as “capitalistic dominions” or even “white economic dominions,” is presently criticized, including for their past support to the apartheid regimes and the benefits harvested from (land, labor and economic) discriminatory policies (Marais 2011). In order to avoid direct public interventions and sanctions, these conglomerates, starting with the mining company Anglo-American and the insurance company Sanlam, implemented the first two Black Economic Empowerment (BEE) transactions in the early nineties. In the framework of these BEE investments, the company lends money to a BEE trust – grouping previously disadvantaged populations[7] – in order to buy a significant, but minority, share of the company. The loan is reimbursed thanks to dividends paid out to the trust. After these pioneering initiatives, several BEE initiatives were set up in order to empower black South Africans and give them access to companies’ shareholding and boards.

However, most of these first generation BEE investments collapsed[8] or produced benefits for only a small group of black, often African National Congress (ANC) connected, entrepreneurs (Freund 2007). Therefore, in 2003, a Broad-Based Black Economic Empowerment Act[9] was adopted. This law formalized a BEE scorecard, valuating companies' engagement with previously disadvantaged population groups. A high BEE score should open doors and

[6] Indeed, in the 1950s, eight of the nine IDC’s directors were Afrikaans-speaking.

[7] I.e., black, colored, and Indian population groups. In the rest of the paper, and as embedded in the “Black of BEE,” we will refer to these previously disadvantaged people as “blacks.”

[8] The first two transactions collapsed: a trust ended up bankrupted because of financial wrongdoing and the other one has been bought back by white shareholders (Freund 2007).

[9] Department of Trade and Industry, “Broad-Based Black Economic Empowerment Act (53/2003) Issue of Codes of Good Practice,” Government Gazette Staatskoerant (Republic of South Africa) 580, no. 36928 (October 11, 2013): 3–122, <https://www.thedti.gov.za/news2013/code_gud_practice10102013.pdf>.

lead to opportunities, through access to public markets and tenders for instance. The scorecard sets up, among other aspects, compliance targets in the framework of South Africa's corporate social investment policy: 1% of after-tax net profit should be invested on socio-economic development; 1% of after-tax net profit on supplier development; 1% of after-tax net profit on enterprise development. Subsequently, corporate social investments skyrocketed: in 2014, South Africa's larger corporations spent \$4.3 billion as part of BEE policies (Theobald et al. 2015). Alongside public investments from development banks, corporate BEE investments fed the II boom in South Africa, making the country the largest market for impact capital in Africa (GIIN 2016).

As described here above, "racial empowerment investments" for the integration and the promotion of different racial and ethnic groups into economic spheres existed in South Africa since the beginning of the 20th century. In the next section, we will map and analyze major actors involved in these empowerment investments highlighting once again historical continuities.

2.2 Impact Investors and Managers in South Africa

In its report, the GIIN distinguishes two groups of impact investors: development finance institutions (DFIs) and non-DFIS representing a heterogeneous group of institutional investors.

First, DFIs, both domestic and foreign, are by far the major impact investors' group: between 2006 and 2015, they disbursed \$24.2 billion representing 83% of the national impact capital market (GIIN 2016). DFIs are government-backed institutions that invest in the private sector, looking for both profitability on one hand, and public interest on the other hand (Ducastel 2019). For instance in South Africa, the Industrial Development Corporation (IDC) was created in 1940 to boost long-term investment capital for domestic industries in order to alleviate the importation of manufactured goods. In October 1996, the new democratic government for the first time publicly endorsed the IDC as the "engine to drive BEE." Consequently, IDC has invested R69 billion since 1996 for black economic empowerment.[10] Today, IDC provides financing for "high-impact and labor-intensive" projects across the whole of Africa.[11]

Together with South African institutions, international (e.g., International Finance Corporation, African Development Bank) and European (the French Proparco and the Dutch FMO for example) invested nearly \$10 billion in South Africa during the same period.

[10] This was done through the pursuit of development outcomes targeting youth, women and black industrialists, B-BBEE, regional equity, localisation, community empowerment, and environmentally sustainable growth. IDC Corporate strategic plan 2016-2021, presented to Parliament Portfolio Committee on Economic Development, 6 April 2016.

[11] There are also several other national (e.g., Development Bank of Southern Africa, National Empowerment Fund) and provincial (KZN Growth Fund) DFIs in South Africa.

By virtue of their mandate, DFIs articulate both financial and "social return" (Chiapello 2015) well before II takes off, gaining practical experience and developing their own investment procedure. Consequently, they are today at the forefront of the II community both quantitatively, in terms of capital disbursed, and qualitatively, promoting and standardizing II practices through national or global networks – for instance by DBSA's participation at the National task force or the International Finance Corporation in the GIIN.

Second, non-DFIs investors collectively execute 307 deals representing $4.9 billion between 2006 and 2015. Two groups of South African institutional investors are particularly active on this financial market for empowerment: insurance companies and pension funds.

For instance, Old Mutual is a well-established and longstanding insurance company created in Cape Town in 1845. During the second part of the 20th century, the company became the most powerful financial conglomerate in the country, mainly through cross shareholdings with mining conglomerates and take-overs of industrial companies. In 1999, this conglomerate became a dual listed structure on both the London and Johannesburg stock exchanges. In spite of its globalization, the company remains anchored in South Africa through its subsidiaries, such as Nedbank, one of the country's major commercial banks.

At the end of the apartheid era, Old Mutual faced a wave of criticisms regarding, on one hand, its support to the National Party's policies, and, on the other hand, its disinvestments from post-apartheid South Africa. Besides others, South African academic Herman Marais denounces Old Mutual's speculative strategy and the weakness of its productive investments (Marais 2011). In order to face these controversies, Old Mutual, through one of its subsidiaries, developed a "socially sustainable" financial product range dedicated to "alternative assets." It defines socially responsible investments as "[investments] that provide investors with both commercial returns and tangible social and developmental impact. In South Africa, the primary focus of SRI [socially responsible Investments] is the provision of basic services and infrastructure development" (Old Mutual subsidiary 2013). It has launched five SRI funds so far: i) Infrastructure and development bond fund, to support infrastructure development; ii) Development equity fund, to take equities into SMEs supporting job creation, affordable housing, access to services, and healthcare; iii) Community property fund, to fund mall construction in former homeland and township; iv) Power debt fund, to develop renewable energy especially solar panels and wind turbines; v) South African farm fund.

Alongside insurance companies, pension funds, and more particularly public pension funds, are also very active on the II market in South Africa. The Government Employee Pension Fund (GEPF) is the largest pension fund in South Africa managing public servants' retirements. This pension fund is managed by a public entity, the Public Investment Corporation (PIC), supervised by the country's National Treasury and accountable to Parliament.[12] In 2016, PIC had R1.857 trillion assets under management, making it the largest African institutional investor. Its portfolio is divided between 75% of listed South African assets (bonds, currencies), 10% of non-listed SA assets (equities, real estate), 10% of offshore investments being in Africa or in Western countries, and 5% of "development investments" in South Africa (PIC 2016). A specific division into PIC, Isibaya Fund, manages "development investments" in particular offering a large range of financial products (loan, mezzanine, equities).

Institutional investors either directly manage their II portfolio or they invest through dedicated third parties. In the last decade, several specialized asset managers set up and launched II funds. These include Praxis Active, a private equity fund launched in 1997, investing in private clinics, pharmacies, and opticians based in areas previously reserved for disadvantaged populations, either suburban townships or rural former homelands. Asset managers behind these new financial products are not outsiders to the South African financial sector as they are often linked to major banks or insurance companies – e.g., Ashburton Investments that partakes in the National Task Force for Impact Investing is part of the First Rand group,[13] while Old Mutual holds 25% of Green Firm. Beyond asset management firms, a broad II supporting ecosystem exists in South Africa: a variety of incubators and accelerators (e.g. Awethu Project or Invotech), business consultants (e.g., Dalberg or Monitor Deloitte), academic research centers (e.g., the Bertha Centre for Social Innovation and Entrepreneurship at the University of Cape Town; GIIN 2016, 77).

Focusing on actors, rather than new vectors of capital distribution, II off-take in SA looks like a recycling and expansion of existing financial circuits and intermediaries. To underpin this observation, we will now analyze and historicize the sectorial allocation of impact investments.

2.3 Toward New Avenues for Accumulation?

The GIIN report details the distribution of II by sectors between 2006 and 2015. For DFIs, three sectors largely dominate: "energy," "extractives," and "manufacturing"[14]; while non-DFIs focus mainly on "financial services" followed by "manufacturing" and "energy."[15] It therefore clearly appears that IIs mostly occur in Mineral-Energy Complex's sectors reinforcing the historical accumulation regime.

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[12] Government employees' pension law (1996) and PIC Act (2004).
[13] One of the big five in the SA banking sector.
[14] Together these sectors account for about $14 billion and 3730 deals (GIIN 2016, 68).
[15] The report identifies 28 deals in "financial services" ($1.6 billion), 47 deals in the two other sectors ($3 billion).

However, II also opens new accumulation avenues for investors. Firstly, through "financial services" but also through the development of social services for the poorer and previously disadvantaged racial groups such as "housing," "health," "ICT," or "education" as listed above. As written by Pons-Vignon and Segatti (2013) in the post-apartheid area characterized by a neoliberal state, successive governments have promoted a social service marketization, delegating them to a "third sector." II investors and managers step into this breach in marginal urban (township) and rural (former homelands) areas where inequalities and social issues are concentrated: poverty rate, HIV prevalence, indebtedness. As such, they worked and continue to work for a financial inclusion (Mader 2018) through "banking the unbanked" programs. By broadening the access to credit, impact investors claim to promote social mobility as they open up the consumer goods market and private ownership doors to the "bottom-of-the pyramid" (Prahalad 2006). However, as shown by Deborah James (2014), financial inclusion and often related commodification of services and assets (such as land) result in increased inequalities and potentially social conflicts as tragically illustrated by the Marikana killings in 2012.

Secondly, several impact investors aimed at developing projects in the agricultural sector: for instance, South Africa's Public Investment Corporation (PIC) invested so far 3 billion Rand[16] into agriculture and agribusiness SMEs and funds,[17] such as Green Firm. In post-apartheid South Africa, the development of rural areas is not only a major economic challenge, its socio-political importance relates to past racially-motivated homeland policies, the concentration of land property into white commercial farmers' hands, and to the still dual character of the farming sector (Cochet 2015). From 1994 onwards, the successive ANC governments implemented land reform programs and supported "black emerging farmers." But so far, the situation on the ground remains dire and unequal. Land reform only redistributed about 8% of the land, unemployment rates are between 35 and 50%, labour conditions on the farms are often poor with social movements developing as illustrated by the overall agricultural workers strike in the Western Cape province in 2013.

Thirdly, through II, South African financial institutions develop their activities abroad in other African countries. This reflects an extension of the investment scope toward "frontier markets," such as Swaziland for example. While

[16] Current exchange rate, approximately USD 1 = 13.5 South African Rands.

[17] "The fund will approach Agriculture investments through partnering with established commercial farming enterprises. The main objective would be to enable these commercial farming entities through debt and equity to facilitate the development of previously under developed farmland with the objective of increasing productive capacity and contributing to food security while generating excellent investment returns for the GEPF. Agriculture and agro-processing are therefore attractive developmental investments because of their positive attributes in relation to social impact and returns." Discours de John Oliphant, Principal Executive Officer du GEPF, au cercle de la presse du Cap, 23 April 2013.

the socio-economic context of that country has long been perceived as a risk and has discouraged investors, the II framework reversed these perceptions, making Swaziland appear as an opportunity. Green Firm for instance manages a fund, financed by the pension fund of civil servants, dedicated to agricultural development in Swaziland. Through this quick analysis of the distribution of II portfolios, we note two complementary trends: II financial circuits foster the MEC but also open new avenues for accumulation, especially through investments in social services.

2.4 II as "Reparative" Instruments

II in South Africa is largely embedded in historical institutions and local dynamics. Looking at both actors and targeted sectors, we highlight the historical continuity of financial circuits for empowerment and of institutions from *volkskapitalism* to contemporary Black Economic Empowerment. During this period, finance professionals set up their own procedures and instruments, which evolved over time. Initially, these actors (whether the DFIs or specialized asset managers, besides others) did not identify and recognize themselves as impact investors. The GIIN report's authors note this paradox:

> The term "impact investing" is less commonly used or understood in South Africa than elsewhere in the region or elsewhere in Africa. Many investors interviewed did not consider themselves to be impact investors, even when they had stated impact goals, explicitly tracked impact, and compensated their teams based on impact performance. In some instances, investors cited a lack of familiarity with the term. One investor mentioned that only after attending a conference on impact investing the previous year had she become aware of the concept. Others associated impact investing more closely with East African countries and did not consider it a trend in South Africa. Many interviewees mentioned a general discomfort in South Africa with mixing "charity and business," expressing that mandated CSI under BBBEE had exhausted corporations' and high-net-worth individuals' capacity to support impact initiatives. (GIIN 2016, 62).

In this quotation, South African investors stand out, compared to what happens in other, less developed African countries, as they distinguish II and BBBEE. On the contrary, II promoters (GIIN, Bertha institute) gather all these different investment practices under the same banner as impacts are 1) planned and 2) tracked. But rather than being a rigid device, II appears as being a flexible label. Like for Corporate Social Responsibility (CSR), the success of II "[…] lies, to a great extent, in its capacity to claim global applicability (under written by supposedly universal market value) and at the same time to frame those values in line with particular paradigms of national development" (Rajak 2011, 19).

Such a diversity creates difficulties when trying to set up a typology of II practices. Philipp Golka (2019) identified three II categories: investments into producing and service firms in Western capitalisms; investments into social and public sectors in Western capitalisms; investments into basic services in the global South.

The South African case highlights a fourth one, categorized by “reparative” or “corrective” investments in post-colonial environments. Corporates and their (mostly white) shareholders and managers assign a small portion of their benefits to further integrate previously disadvantaged racial groups (i.e., Blacks, Colored, Indians, etc.) into the market economy and a private welfare system. Indeed, during apartheid these populations were intentionally kept away from economic growth and the redistributive system. As such, like for environment and biodiversity, “colonial redress” and “social reconciliation” (Somerville 2018) become then channels of accumulation.[18]

From a socio-historical perspective, II in South Africa differs from 1) II in western countries because of its explicit racial dimension; but also 2) II in most of the other African countries where international and western DFIs overcome the lack of welfare state. Consequently, it will be interesting to see how these local economic, social, and political contexts frame concrete financial practices, procedures, and tools.

3. Impact Investment at Work: The South African Farmland Investment Fund

Having discussed II’s roots in South Africa, the focus will now shift towards the effective II set ups and uses and their implications at ground level focusing on the Green Firm case study.

3.1 Sustainability in Practice: Between Return on Investment and Social Programs

Green Firm is a small South African asset management company specialized in agriculture and agribusinesses created in 2006 by two Dutch entrepreneurs. In 2015, Green Firm managed two different funds focusing respectively on agro investments in South Africa and Swaziland. The South African farm fund was set up in 2010, registered in Mauritius, collecting around $37 million to invest in South African farmlands and agricultural companies. The fund exclusively targets fruit farms (citrus, table grapes) and aims to acquire majority positions; in 2015, it had already acquired four farms, totaling about 5900 hectares. Two main South African institutional investors finance this fund: i) Old Mutual, and ii) the South African Public Pension Fund (PIC). In addition, several smaller

[18] Melanie Somerville (2018) analyses similar situations in Canada, looking at partnerships between asset managers and first nation's communities.

European individual investors put money into the fund through its Luxemburg subsidiary.

A binding contract defines the investment policy of the fund, detailing both 1) its financial strategy and targets, and 2) its environmental and social objectives. First, in order to generate a value-addition for its investors, Green Firm rents the farms to a third party agricultural firm. This allows for a stable revenue stream during the fund's lifespan (10-12 years). Green Firm targets 10%, plus inflation, as the Internal Rate of Return (IRR), including both the annual lease payment and the appreciation of the land. As explained by Green Firm's managing partner:

> [The IRR] is actually very predictable. Because farmland traditionally rises with 2 to 6 % per year, according to real capital gain over time historically. You get a 8% yield on your lease which is inflation linked. So it is 8+4, you get 12%; take off the management fee and you get 10%."[19]

Second, fund managers also define the fund's environmental and social policy. Green Firm adopted from the beginning an II approach and rather than separating financial and social returns, they established a clear relation between them, as stated in the 2013 annual report:

> Social returns are an integral component of the Fund's performance. Improvements to worker healthcare, housing and sanitation, job creation and skills transfer ensure that the quality of the farmland is maintained. This contributes to the long-term sustainability of the operations and economic empowerment of the surrounding communities. These factors add significant value to the farmland asset over time and are expected to result in positive returns at the end of the Fund term. (Green Firm 2013, 13)

From this quotation, it clearly appears that Green Firm aims to contribute primarily to South African economic (job creation, skills transfer) and social (housing and sanitation) rural development. In addition, Green Firm often stresses another social objective regarding land transfer in a post-apartheid environment. Indeed, as both Old Mutual and PIC, i.e., Green Firm's major shareholders, are BEE certified with a significant proportion of black shareholders (urban public servants or BEE trusts), Green Firm claims that acquiring farms owned by white farmers is a contribution to land redistribution in South Africa benefitting the country's previously disadvantaged populations.

Based on the social objectives related to broad investment policies, such as rural development, Green firm identifies several specific related impacts. Firstly, the creation of jobs is the main targeted impact. The objective is to promote the inclusion and empowerment of black rural communities through the labor market. With a focus on employment, Green Firm is promoting an employee-

[19] Interview with Green Firm director, Cape Town, 16 March 2015. To calculate the historical appreciation of farmland by year, Green Firm endeavours to analyse the agricultural land deals in South Africa during the last 20 years.

based farming model, in opposition to an entrepreneurial, family-based farming model which was and still is the dominant farming model in South Africa (Anseeuw, Ducastel, and Boche 2015). Secondly, the firm wants to reinforce employees' access to two specific social services: health and education. This choice echoes other social responsibility programs set up by major South African conglomerates, outside of the financial industry, such as implemented by the mining company Anglo-American (Rajak 2011). Concretely, their involvement as an impact investor takes two complementary forms: 1) the definition and implementation of particular programs in order to increase social impacts on their farms; 2) the development of specific impact evaluation procedures.

First, in order to reach these social impacts, particularly job creation, Green Firm aims to increase the farm production and productivity. In addition, the firm allocates 0.5% of each investment to social and environmental expenditures on their farms. Three projects, mobilizing external consultants,[20] have been defined and implemented so far: 1) an empowerment project –

> Depending on the skills development level of the workers, an Adult Education and Training (AET) program is rolled out on all farms, covering literacy, numeracy and communication. Additional training such as personal financial planning and life skills is also offered […] with the aim of empowering workers and creating independent emerging farmers [(…].”; 2) a healthcare project – “Where possible, the Fund establishes access to primary healthcare services for permanent farm workers. This offers workers unlimited access doctors, dentists and optometrists, free provision of acute and chronic medicines, and radiology and pathology services according to a prescribed protocol […].”; and 3) a housing project – “The aim of the Fund's operators is to provide housing and facilities that are better than the norm. This not only benefits the permanent workers in terms of human dignity, but also enables the farm to attract quality seasonal workers. (Green firm 2016, 12-17)

Second, Green Firm develops its own impact assessment matrix, which is included in every quarterly or annual report addressed to the investors in order to track the evolution of the selected impacts on every single farm.

[20] While at the Green Firm, a full time dedicated employee is in charge of the impact programs and evaluations.

Table 1: The Green Firm Matrix

		Farm 1	Farm 2	Farm 3	Farm 4	Total
Permanent employees (workers with contracts longer than 1 year)	At take-on:	25	94	102	83	304
	At December 2015:	57	71	124	86	338
Seasonal workers, depending on season	Currently, up to:	450	950	520	440	2360
Projected new jobs (permanent and seasonal), due to expansion	Projected new jobs:	300	465	100	212	1077
Employees with access to pre-paid primary healthcare	At take-on:	0	0	0	0	0
	At December 2015:	61	0	80	98	239
Employees with access to HIV/AIDS services	At take-on:	0	0	0	0	0
	At December 2015:	61	71	80	98	310
Employees receiving adult education	At take-on:	0	0	0	0	0
	At December 2015:	32	27	15	8	82
Employees receiving management training	At take-on:	0	0	0	0	0
	At December 2015:	4	19	3	3	29

Source: Green Firm 2015.

For every impact tracked, we note a gain between the situation "at take-on" and the last counting in December 2015. This matrix distinguishes two categories of workers: a large group of "seasonal workers" mostly hired during the harvest season, which remain totally out of these social services; and a smaller group of "permanent workers;" with contracts of one year or longer. It is worth noting that while a majority of the permanent workers gets better access to healthcare and HIV services, only few of them participate in the educational programs or management training sessions.

The asset manager has an important say in defining the paths and tools for impact. Indeed, it is part of his duties, and the fund's investors implicitly recognize his capacity to produce impacts in these particular matters (Golka 2019). Asset managers select targeted impacts according to their capacity to trigger a positive dynamic with limited resources and time, i.e., the fund lifespan. Hence, the Green firm matrix focuses on very specific elements, leaving out many – often more transformative – aspects. For instance, nothing is said about the status of employees, the gender relations, their level of remuneration, and the work conditions or the impact on neighboring small-scale or family farmers.

What appears clearly through the Green firm's impact strategy review is a depoliticized approach to rural and agricultural development. Analyzing a rural development project in Lesotho, James Ferguson shows how the "development apparatus," i.e., NGOs, and state bureaucracies tend to depoliticize development issues "by uncompromisingly reducing poverty to a technical problem, and by promising technical solutions to the sufferings of powerless and oppressed people" (Ferguson 1990, 256). Following the pioneering work of Ferguson and studying AIDS control in Africa, Moritz Hunsmann defines depoliticization as as an "artificial deconflictualization" of inequalities and balance of power (Hunsmann 2016). Such a depoliticization relies on a particular cognitive framework stressing on individual responsibilities and the decision making process's containment into technocratic spheres.

Turning back to our case study, Green firm adopts a top-down approach defining and implementing its impact strategy according to its own interests and objectives without any consultation or participation of the beneficiaries. In addition, by promoting empowerment programs and individual health insurance product they clearly link poverty and individual behavior. As such they neglect public policies' influence regarding land transfer for instance making poverty a private issue. Even if the financial bureaucracy (i.e., investment manager, independent consultants) replaces the "humanitarian technocracy" (Hunsmann 2016), poverty and inequality conceptions remain the same.

3.2 II as a Distant Control Device

If II metrics are commercial tools for engaging with investors, they are also a control device for both investors and asset managers. Indeed, investors, managers, and farms are often geographically scattered, as they are located in different cities and even countries. For instance, Green Firm centralizes the management of four different farms located in four different South African provinces, while its investors are in South Africa's major cities (Cape Town and Pretoria), as well as in Europe. In order to allow exchanges and maintain confidence between those separated parties, several legal devices exist (e.g., reporting procedures, contracts, etc.). The mobilization of II is part of this specific architecture.

Indeed, the adoption of such a framework implies strict reporting procedures from the farm to the asset managers and from the asset managers to the investors. For instance, Green Firm prepares an annual "Impact Report" for its investors. Through narratives about living conditions on farms, descriptions of the weather, and through photography and/or satellite imagery, these reports materialize the investments and show the investors their assets.[21]

II's procedures, such as the matrix above, increase the transparency and the control, all along the investment chain. Such controls are not only based on the firms' balance sheets, they are also related to environmental and social metrics. Consequently, through this normalization process every single dimension of farm work is reduced to something quantifiable (Ducastel and Anseeuw 2018).

Green Firm, like other asset management companies, generally hires external consultants, either for the social and environmental farm valuation, for the definition of their impact programs, or for the preparation of their impact report. The intervention of external and independent professionals is a way to guarantee the veracity of the information that circulates between the actors and, as such, to increase the confidence and the control from one to another. In addition, such external controls tend to frame a priori the actors' practices in a manner consistent with II framework (Power 2005).

The implementation of social and environmental impact programs can also increase the head office's control over the farm, and especially over the farm workers. Green Firm selects the potential beneficiaries for the healthcare program according to their experience on the farm, their seniority, their engagement and performance, and also according to their relationship with the management. They refuse to fund healthcare programs for workers with less than two years in the farm or who participated in the 2013 strike; in 2015, only 239 of 338 permanent workers benefited from an access to the healthcare program. Therefore, Green firm implements a management policy of individualizing remuneration on their farms.

Another example concerns the construction and the modernization of workers' accommodation. The farm workers live mainly on former "reserves,"[22] often far from the farm. Green Firm builds and furnishes houses for free to a certain number of their workers, giving them the opportunity to attract and keep good workers in the region, on one hand, and to assert higher control over workers' extra-professional activities, on the other hand. As noted by Dinah Rajak, the same consequences arise from the healthcare program: "through the new technologies of HIV management, old boundaries demarcating the company's zone of responsibility are re-inscribed, erecting a meta-physical 'cordon sanitaire' between the workplace and, what is described in official corporate discourses as, the 'world beyond our perimeter fence' " (Rajak 2011, 143). As with Corporate Social Responsibility for instance, II programs are also human resource tools, mobilized by Green Firm to discipline workers from a distance.

[21] Extract from Green Firm Impact Report, 2014.

[22] Pursuant to the Land Act, adopted in 1913, South African governments concentrated "African" native populations on "reserves," later called "Bantustans," representing 13% of the national territory.

Indeed, beyond material leverages (i.e., health insurances, houses), economic and entrepreneurial empowerment programs set up by the Green firm reinforce their grip over farm workers by disseminating market discipline's principles. By promoting personal financial training and education, they aim to make their workers auto-entrepreneurs employing themselves. The objective is to train workers to profit from their comparative advantages on markets which might allow them to take advantage from these capacities. As stated by Dinah Rajak (2011), Green firm diffuses a neoliberal conception among black communities where "market discipline" becomes "the source of social mobility."[23]

Finally, II is also a risk management instrument, implemented against potential social mobilizations and conflicts. Indeed, investors and financial workers are being targeted more and more by advocacy coalitions, unionists, or activist networks for their responsibilities in the economic crisis or the increase of social inequalities.[24] II appears as an answer by the financial community against these critics and represents a "pro-active management of social conflictuality" (Homel 2006). Thanks to this standardized framework, the financial industry claims its legitimacy to define what development strategy to implement, without any consultation with other parties. It enables Green Firm to redefine its authority over farm employees by mobilizing II engineering; therefore, these instruments reinforce the borders of the company/fund's enclaves (Ferguson 2005) through particular moral and social orders.

However, the concrete implementation on the ground of such a framework is not a linear process with Green Firm's initiatives regularly face tensions and difficulties. For instance, the literacy programs developed by Green Firm were abandoned after two years. They were not well attended by workers who perceived them as being an additional constraint and monitoring tool, rather than as being an opportunity. Also, Green Firm faced resistance from farm managers who either refused to engage in these social and environmental programs, or "instrumentalized" them for their own benefit. Green Firm's partners discovered that several farm managers selected beneficiaries for literacy and healthcare programs according to their own networks and relationships. These examples make it clear that such projects of II are defined from and by the top, according to Green Firm's investors' requirements, rather than from the ground, according to workers' and farmers' issues and strategies. A question remains: why, if II only increases managers' control over workers and assets, do investors concerned with social and environmental issues still support and

[23] Melanie Somerville (2018), in Canada, analyzes similar attempts from asset managers to "financialize natives," reproducing "racial essentialisms."

[24] For instance, development finance institutions' investments are scrutinized by European NGO coalitions. See GRAIN et RIAO-RDC, 2015. *Agro-colonialism in the Congo. European and US development finance is bankrolling a new round of colonialism.* OXFAM, *Risky business. Intermediary lending and development finance*, 2012.

promote II funds? Firstly, because investors are far from the assets. Indeed, aside from exceptional visits[25], the supervision over Green firm's farms is limited to quarterly and annual reports prepared by the asset manager. Secondly, South African investors and asset managers share the same conceptions and representations regarding agriculture and farm management inherited from the country's agrarian history. During apartheid, the control over farm workers' activities and movements in and outside the farm (through "the pass" system) gave the farmers extra power within the farm's perimeter and beyond. Today, a paternalist model remains largely in place; Green firm and their investors are not trying to dismantle it but rather to improve farm workers' trade-offs.

5. Conclusion

The first section historicizes and maps II circuits in South Africa: from volkskapitalism to Black Economic Empowerment's (BEE) corporate social investments, we highlight the country's long-term history of empowerment or reparative finance with its specific actors and financial circuits. Based on the Green firm case study, we assess a particular II circuit in practice in the South African post-apartheid context. Rather than a transformation of the South African accumulation regime and its dominant players, II legitimates and reinforces the *status quo*. On the cognitive side, II relies on and promotes a depoliticitized approach of poverty and inequality exempting South African (financial) conglomerates from their responsibilities. In this framework, they appear as a solution to rural underdevelopment while largely benefiting from expropriation public policies in the past and today. On the instrument side, II gives investors and financiers increased resources to manage the social and environmental risks, to control human resources and farm workers, and to valorise their rural and agricultural assets. During the apartheid era, white commercial farmers benefit from land and agricultural policies – e.g., the "pass system" restricting black workers free circulation, to exercise a strict control over farm labor and natural resources. Within the II framework, farms are still managed as enclaves but as asset enclaves under financiers' supervision.

The South African State plays an active role in promoting and framing such a depoliticized approach. While in the UK (Golka 2019) or the US (Barman 2016), II development can be analyzed in terms of the reduction – or colonization – of a welfare state's perimeter, in South Africa we rather analyze it as a state redeployment. Indeed, public financial institutions (DBSA, PIC, IDC) are the main II investors and promoters. In the context of the incapacity and in-

[25] In August 2013, Green Firm organized a visit on its farm in Limpopo for potential new investors and a business reporter. After visiting the orange trees and the plant, the tour finished with workers' restored houses.

creasing indebtedness of the South African State (Meyiwa et al. 2014), these public financial institutions seem to play an increasing role in (social) public policies and investments thanks to their ability to optimize public money and to set up off-balance sheet policies (Mertens and Thiemann 2019). Through their financial lens, these institutions promote the "attractiveness paradigm," i.e., development policies focus on (private) investors' attraction to fund innovations and to create jobs (Feher 2018). Consequently, they frame and support "new asset classes" particularly in social services and development sectors as a distant government technique.

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Digital Finance Inclusion and the Mobile Money "Social" Enterprise: A Socio-Legal Critique of M-Pesa in Kenya

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Abstract: *»Digitale Finanzintegration und das ‚soziale' Unternehmen mit mobilem Geld: Eine sozio-juristische Kritik an M-Pesa in Kenia«*. Financial technology or fintech initiatives are gaining increasing global attention as instruments for financial inclusion and economic and social development. Among such initiatives, mobile-phone-enabled money transfer systems, or "mobile money," have been particularly acclaimed for facilitating access to financial services and creating opportunities for the so-called "unbanked poor." One of the first and most-discussed mobile money projects to date is M-Pesa in Kenya, a digital payment system which is now used by over 70 per cent of the Kenyan population across a variety of sectors including finance, commerce, education, health, and social welfare. M-Pesa is premised on a narrative of social entrepreneurship and has increasingly embraced the idea of philanthrocapitalism, promoting the logic that digital financial inclusion can simultaneously address social problems and produce profit. This paper brings together socio-legal enquiry and international political economy analysis to illustrate the institutional arrangements underpinning the development of M-Pesa and examine some of the projects built on its infrastructure. It argues that social entrepreneurship promotes a logic of opportunity rather than a politics of redistribution, favouring mobile money providers and the institutions involved in the mobile money social business over improving the lives of the intended beneficiaries, namely the unbanked poor.

Keywords: Fintech, mobile money, philanthrocapitalism, development, socio-legal studies, Africa, Kenya, social entrepreneurship, digital financial inclusion.

1. Introduction

In March 2007 Kenya launched one of the first and so far most acclaimed mobile-phone-enabled money transfer systems, M-Pesa (from M for mobile, and *pesa,* the Swahili word for money). The idea of mobile money originated from people's practice of transferring prepaid airtime following the rapid spread of mobile phones in African countries, and the M-Pesa platform was realised via a

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public-private partnership between the UK Department for International Development (DFID) and the UK-based telecommunications company Vodafone and its local partner Safaricom. M-Pesa has grown at a phenomenal rate, rapidly reaching over 70 per cent of the Kenyan population. According to a series of surveys coordinated by Financial Sector Deepening Kenya (FSD 2007, 2009, 2013, 2016, 2019), the number of people in the country with access to formal financial services including mobile money increased from about 20 per cent in 2006 to 80 per cent in 2019. M-Pesa has captured global attention as a successful digital financial inclusion project that can contribute to economic growth and to the achievement of the Sustainable Development Goals (SDGs), which replaced the Millennium Development Goals (MDGs) in 2015.[1]

The link between financial inclusion and development is premised on the assumption that people, particularly the poor and the marginalised who do not have access to formal financial services such as credit, savings, insurance, and money transfers, are in need of such services to cope with their everyday needs and, possibly, improve their livelihoods, particularly in countries with limited infrastructure and resources. Financial technology (fintech) projects such as mobile money have been increasingly acclaimed as convenient, secure, and efficient ways of providing access to formal financial services for those excluded from mainstream banking (see for example Mas and Morawczynski 2009; Mas and Radcliff 2010; Jack and Suri 2011, 2014; Suri and Jack 2016). This idea has been supported by international organisations, financial institutions, governments, non-governmental organisations (NGOs), and philanthropic foundations, which use the term "unbanked poor," implying a nexus between financial exclusion and the perpetuation of poverty. Access to financial services is not considered more important than access to basic resources such as food, water, healthcare, and education, but it is seen as useful or even necessary to achieve these social goals.

This paper contributes to the growing critical debate on digital financial inclusion (see Gabor and Brooks 2017; Bateman, Duvendack, and Loubere 2019) that questions M-Pesa's social entrepreneurship narrative, namely the logic that business models can simultaneously address social problems while making profits. It brings together socio-legal enquiry and international political economy analysis, and draws on insights from law and development, critical development studies, and fieldwork conducted in Nairobi, Kenya. This methodological approach aims to capture the "interconnectedness" (Perry-Kessaris 2015) that

[1] The Sustainable Development Goals replaced the Millennium Development Goals as a set of development objectives supported by specific targets and indicators, to be achieved through global cooperation. The MDGs were adopted in 2000 with the aim of reaching them by 2015. Although the MDGs Report of 2015 describes them as "the most successful anti-poverty movement in history," the goals have not been attained. The post-2015 development agenda builds upon the MDGs and led to the adoption of the SDGs in 2015, with the aim of achieving these by 2030. See General Assembly, *Transforming Our World: the 2030 Agenda for Sustainable Development*, A/RES/70/1, 21 October 2015.

characterises the intersections between the global and local social, economic, and legal aspects of the M-Pesa system. The fieldwork served as a foundation from which to understand the context and functioning of M-Pesa and to identify the key aspects of its digital, physical, and legal infrastructure. It involved participant observations, focus groups of low-income M-Pesa users, and interviews with financial institutions, mobile network operators (MNOs), and regulators.[2] The socio-legal enquiry examines the structure, purpose, and implications of the institutional and regulatory arrangements of M-Pesa, making a distinction between its inclusionary techniques and its potential to improve the condition of the unbanked poor. This analysis cannot be detached from a consideration of the broader political economic context of M-Pesa, shaped by colonialism and development interventions, which created both the need and the necessary conditions for M-Pesa.

This paper argues that M-Pesa is premised on a narrative of social entrepreneurship and based on a logic of entrepreneurial opportunity rather than a politics of redistribution. The M-Pesa platform has been used to provide the unbanked poor with a variety of opportunities to access financial services and potentially improve their livelihoods. This logic of opportunity is supported by the decontextualized idea that people living in poverty should be the architects of their own development, while at the same time targeting them as consumers for private profit. The opportunities that M-Pesa offers in fact correspond to a secure source of profit for the mobile money providers, profit which is not redistributed to provide the unbanked poor with the necessary resources to enable them to really take advantage of financial services. In other words, M-Pesa treats digital financial inclusion as an instrument for development and private profit without contributing to addressing the causes of financial exclusion, such as lack of resources and an irregular income.

To develop this argument the first section examines the relationship between financial inclusion and social entrepreneurship, and locates the development of M-Pesa within the increasingly influential narrative of philanthrocapitalism, a type of philanthropy that emulates for-profit entrepreneurship in the capitalist world. The second section analyses the institutional arrangements that have contributed to the rapid development of M-Pesa. It illustrates how the M-Pesa infrastructure allows the making of private profits through fees and how its lenient regulatory framework has permitted the proliferation of mobile money providers and services. The third section looks more specifically at three mobile-money-

2 The fieldwork was conducted in 2012 and 2013 and followed up in 2015. It involved six focus groups, each with five to seven informants, in Kawangware, Ngando, and Mathare areas, and a final discussion with one or two informants from each group on the most relevant issues to emerge from the fieldwork; observation and semi-structured interviews with 28 M-Pesa agents, 14 in Kawangware district and 14 in Ngando district; and 27 semi-structured interviews with relevant institutions including financial institutions, MNOs and mobile-money-related institutions, governmental and non-governmental organisations, regulatory institutions, and research centres.

enabled products and services: M-KOPA, Grundfos-Lifelink, and HELP, and the philanthrocapitalist logic underpinning these. It explains how these projects contribute to the individualisation and financialisation of social problems, creating profits for the providers and institutions involved in the "social business" of mobile money.

2. Financial Inclusion and the Narratives of Mobile Money: From Social Entrepreneurship to Philanthrocapitalism

The international development project has increasingly moved from considering the poor as beneficiaries of aid and development interventions to viewing them as actors, consumers, and entrepreneurs who are responsible for their own livelihood (Rankin 2002; Elyachar 2012). This idea has found its conceptual premises in Sen's capability approach (Sen 2006) and has been supported by the UN and other development actors. As embraced by international development institutions, this approach does not consider the role of colonialism in contributing to unequal structural conditions and ultimately to poverty, and instead focuses on providing people living in poverty with opportunities to be architects of their own development. Financial inclusion has played a key role in this shift, promoted as one of these opportunities. This section provides an overview of the role of financial inclusion in the international development project, examines its link to the evolving narrative of philanthrocapitalism in development discourse, and locates the rise of mobile money within this narrative.

2.1 Financial Inclusion: From Microcredit to Universal Financial Inclusion

The neoliberal development agenda adopted by International Monetary Fund (IMF) and World Bank that introduced the SAPs in 1980s and 1990s substituted donor-funded and state-led poverty lending programmes with microcredit (Rankin 2014, 553), holding borrowers fully accountable for repaying their loans.[3] Microcredit, modelled around Yunus's experiment in Bangladesh (Yunus 1999), involves the extension of small collateral-free loans to jointly-liable groups of poor women (Rahman 1999), to be used for income generating activities in the form of micro-entrepreneurship. Various studies showed that SAP's focus on marketisation, cuts to public expenditure and the privatisation of social services

3 SAPs were a package of loans to developing countries conditional on the adoption of neoliberal policies imposed on them by the World Bank and the International Monetary Fund in the 1980s and 1990s. These policies included measures to stabilise, liberalise, and globalise economies by lowering barriers to foreign capital, controlling inflation by reducing government spending, and privatising public services and state-owned industries.

increased the need for microcredit not only for micro-entrepreneurship, but also to access food and basic resources, creating inequality and possible circuits of debt for poorer households (Mayoux 2001; Taylor 2012).

Following the criticism of SAP and the focus on social goals such as poverty reduction highlighted in the UN Millennium Development Goals (MDGs; Rittich 2006), microcredit was promoted as an instrument to allow poor people to realise their own economic and social development (Yunus 2008). The term "microcredit" has gradually been replaced by "microfinance," referring to a broad range of financial products beyond credit for microenterprises and including savings, insurance, and payment services (Armendariz and Morduch 2010). Although the two terms are often used interchangeably, with the change in language came a change in orientation from the consideration of microcredit schemes as mere development initiatives to more commercially-oriented, self-sustaining and regulated microfinance institutions that function according to financial markets (Robinson 2001, 22; Johnson and Arnold 2012). Importantly, however, while microcredit and microfinance schemes have been promoted as more effective and sustainable ways of achieving development than state-subsidised credit, they remain largely dependent on external funding provided by donors and the private sector. For this reason the public sector has increasingly partnered with the private sector to offer microfinance and, more recently, other financial inclusion programmes.

The shift towards universal financial inclusion in the years following the 2007-2008 financial crisis (Soederberg 2013, 2014) has seen the increasing involvement of the private sector in defining and providing new forms of financial service delivery. The global financial inclusion agenda has been embraced by globally influential institutions such as G20, IMF, World Bank, World Economic Forum, UN Capital Development Fund (UNCDF), the Gates Foundation as well as emerging institutions in the field such as Financial Sector Deepening (FSD) Kenya; the Groupe Speciale Mobile Association (GSMA) representing mobile network operators (MNO); and the Alliance for Financial Inclusion (AFI) representing regulators in the Global South. They support the idea of financial innovation capable of reaching the financially excluded via routes such as branchless banking, mobile and payment services provided by retail outlets in grocery stores, pharmacies, kiosks, and petrol stations, among others.[4] M-Pesa and mobile money more generally have become an example of digital financial innovation contributing to social goals while producing profits that would make the project sustainable.

[4] See for instance G20 Innovative Financial Inclusion Expert Group, Innovative Financial Inclusion: Principles and Report on Innovative Financial Inclusion, 2010 <https://www.gpfi.org/publications/principles-and-report-innovative-financial-inclusion> (Accessed 2 May 2019).

2.2 Business and Development: From Social Entrepreneurship to Philanthrocapitalism

Combining profit with social interests is the core aspect of the narrative of social entrepreneurship. The term originated in the US and was popularised in the 1980s by Bill Drayton, the founder of the American non-profit organisation Ashoka when he funded "Changemakers," a group of individuals working for social gain (McGoey 2015, 65). The concept was later embraced by Klaus Schwab, the founder of the World Economic Forum (WEF), who in 1998 set up the Schwab Foundation for Social Entrepreneurship, and since then it has been increasingly used to denote socially-motivated business initiatives in the Global North as well as development projects in the Global South. The aim of social entrepreneurship is to achieve social objectives, usually more vaguely defined as "missions," by adopting a novel, effective, and efficient business logic and method (Nichollson 2006, 2-3). This can consist, for instance, of new partnerships across the public, private, and social sectors, the creation of new ventures to deliver goods and services not yet supplied by existing markets, or new modes of finance, perhaps combined with aid or philanthropy (Elkington and Hartigan 2008, 3; Richey and Ponte 2011).

The idea of social entrepreneurship in development has been driven, on the one hand, by the process of privatisation started with SAPs and, on the other, by the increasing focus on social objectives such as poverty reduction following the adoption of the MDGs. The framework provided by the MDGs and replaced by the SDGs has emphasised the importance of new business models, partnerships, and financial instruments in development with a key role for the private sector, namely any organisation engaging in commerce and trade from start-ups to multinational corporations (Blowfield and Dolan 2014, 23). The idea of inclusive business as a development strategy was introduced by the UNDP in 2004 with the report *Unleashing Entrepreneurship: Making Business Work for the Poor* and reiterated in 2006 with *Growing Inclusive Market Initiative: Business Works for Development and Development Works for Business*, and was later embraced by the World Bank through the International Financial Corporation and by private-sector-centred institutions such as the WEF.

The private sector's involvement in development is generally associated with the potential for creating jobs, introducing innovation and efficiency, and attracting funds in the form of investment and donations. This often means that problems related to poverty are reframed as business opportunities, requiring partnership with "development experts," aid agencies, or philanthropic foundations, but also with local entrepreneurs and NGOs to better understand the habits and behaviours of beneficiaries/consumers (Blowfield and Dolan 2014, 32). This approach considers the poor as creative entrepreneurs and legitimises the idea that people living in poverty constitute a potential market that is not served or is under-served by the private sector, echoing Prahalad's so-called bottom-of-the-pyramid (BoP) approach (Prahalad 2004). The role of business and "collaborative partnerships" in development has been supported by international figures from Muhammad Yunus to Bill Gates and has been fully embraced by the UN's 2030 agenda for Sustainable Development (Adams and Pingeot 2013). Finance is a key aspect of the increasing involvement of the private sector in development both in terms of creating new ways of "financing for development" and providing poor and low-income people with development opportunities via access to financial services.

Yunus, who in 2006 won the Nobel Peace Prize for founding the Grameen Bank and pioneering the idea of microcredit, adopts the concept of social business in relation to microcredit programmes (Yunus 2008; Yunus and Weber 2010). He assumes a link between microcredit and poverty reduction, and considers the business model as necessary to generate enough income to cover the cost of lending money to the poor. In other words, he proposes a market-based solution to poverty while giving a fundamental role to philanthropy. The link between philanthropy and business has also been theorised by the Harvard business scholar Porter and the corporate lawyer Kramer, who coined the concept "shared value," namely to pursue a philanthropic strategy that align with a corporation's commercial interests (Porter and Kramer 1999, 2006, 2011). Differently from Yunus's approach, creating value means creating profit for the business owners, and in so doing, contributing to social objectives: creating jobs, providing goods and services, and helping to fund social projects. According to this model, financial access for the poor should not be seen as a mere social obligation but as a "win-win logic" (Porter and Kramer 2011).

The idea of combining business interests with philanthropy also defines Bill Gates' concept of "creative capitalism," which focuses on how consumer-based technology can facilitate innovation and how philanthropic foundations can offer incentives to companies to create and deliver new products and services for the poor (Gates and Kiviat 2008; Kinsley 2008). More recently, this idea has found expression in the narrative of "philanthrocapitalism," a method of philanthropy that emulates for-profit business in the capitalist world (Bishop and Green 2008). Philanthrocapitalists are predominantly entrepreneurs such as Bill Gates, Mark Zuckerberg, Jeffrey Skoll, Marcus Goldman, and Samuel Sachs, who have made fortunes in the tech or financial industries and are "driven by the aim to bring innovative financing models and new performance metrics to philanthropy, making it more efficient and lucrative" (McGoey 2011).

Among philanthrocapitalist foundations, the Bill and Melinda Gates Foundation stands out for its wealth and public support from governments, international organisations, corporations, and celebrities. The majority of the fortune that Gates has accumulated via his business at Microsoft supports the philanthropic projects of the Gates Foundation. Financial inclusion is one of the current priorities of the Foundation, it has partnered with a variety of institutions to launch the Financial Services for the Poor initiative in 2006, and following the success of M-Pesa in Kenya has invested in mobile money projects. For instance, in 2010 the Foundation offered a non-repayable grant of $4.8 million, followed by $2.9 million the following year, to Vodacom, a Vodafone subsidiary in Tanzania, to enable the company to start its own M-Pesa project.[5] The Foundation has also been indirectly involved in shaping the global agenda on financial inclusion by funding the institutions that are leading the debate on the regulation of digital financial inclusion such as AFI and the mobile money programme at GSMA. The narrative of philanthrocapitalism demonstrates how philanthropic foundations contribute to mobile money projects with the aim to create entrepreneurial opportunities for poor and low-income people to improve their livelihood and for MNO to make profits. The focus on entrepreneurial opportunities is preferred over the provisioning of social welfare and public access to resources as another way of improving livelihoods.

3. The Institutional and Regulatory Arrangements of M-Pesa

The idea of M-Pesa originated from the informal practice of transferring prepaid airtime and its institutionalisation into a money transfer service has been realised via a public-private partnership between DFID and Vodafone, and involved Vodafone's local partner Safaricom and other local and international institutions. This section will examine the institutional and regulatory arrangements that have contributed to the development of M-Pesa as a social entrepreneurship project for financial inclusion, looking at the "interconnectedness" of the social, economic, and legal elements of its infrastructure.

3.1 The M-Pesa Public-Private Partnership

According to Nick Hughes (Hughes and Lonie 2007, 66), the former head of Social Enterprise at Vodafone, the public-private partnership to realise M-Pesa originated at the World Summit on Sustainable Development in 2002, when he had the opportunity to discuss with DFID representatives the idea of developing a mobile-phone-enabled money transfer system to tackle financial exclusion. In Hughes's view, private organisations like Vodafone are legally bound to use their shareholders' capital to achieve immediate returns, and for this reason they do not usually commit themselves to long-term development projects whose gains are not assured. He pointed out how public-private partnerships could circumvent this issue and allow long-term development projects combining profit with social objectives (Hughes and Lonie 2007, 66).

5 See <http://www.gatesfoundation.org/Media-Center/Press-Releases/2010/11/Vodacom-gets-US-48-Million-to-Expand-MPesa-Service> (Accessed 18 May 2019).

DFID, the UK government sector that manages aid and funds research and projects for international development, had established in the late 1990s the Financial Deepening Challenge Fund (FDCF) as part of its commitment to contribute to the realisation of the MDGs. The FDCF supported the belief that the MDGs could not be achieved without significant private-sector participation in activities contributing to poverty reduction, including financial inclusion.[6] Inherent in this belief was the expectation that the private sector is generally likely to commit to development projects with a strong commercial incentive. The FDCF was an attempt to find new partnership-based mechanisms that would enable this type of commitment, and was conceived to encourage commercial financial institutions to engage in risk-sharing partnerships with DFID.[7] Its main purpose was to develop commercially-viable financial services that would benefit the poor, and in particular the "economically active poor."

DFID also initiated another project to support the development of financial markets more specifically in the African context with the creation of the Financial Sector Deepening Trusts (FSD). The FSD was designed to work directly with private-sector institutions as well as with governments and donors to address constraints to financial inclusion. The first and most relevant FSD was established in Kenya in 2005 and attracted funding from the World Bank, French Development Agency, the Swedish International Development Agency, and the Bill and Melinda Gates Foundation for its key role in coordinating research and projects on financial development in Sub-Saharan Africa.

Besides these projects specifically focusing on finance, from 2001 DFID also funded a series of studies in Africa investigating the relationship between new information technologies and poverty reduction, which revealed the potential for using the mobile phone network infrastructure to facilitate financial transactions (McKemey et al. 2003). These studies documented the practice that inspired M-Pesa: transferring prepaid airtime and using it as a virtual currency (Batchelor 2005). This practice consists of users buying a prepaid scratch card and texting the code to someone to whom they need to transfer money, who then enters the code to use the airtime or can choose to sell the code on to another person or to a merchant in exchange for cash or some other commodity or service (Ray 2007; Maurer 2012, 589604).

Vodafone and DFID decided to collaborate to develop a mobile phone-enabled financial service: Vodafone was awarded a FDCF of one million GBP, which matched with an equal combination of cash and staff time. The project aimed to fill a niche in the market by serving those with no access to formal financial services, the so-called "unbanked poor," and in this way to also contribute to the MDGs via financial inclusion (Hughes and Lonie 2007). One of

6 DFID (Financial Sector Team, Policy Division), "Financial Deepening Challenge Fund: Strategic Project Review," December 2005.

7 DFID, "Discussion Document FDCF: Assessing its Achievements and Possible Future Directions," March 2004.

FDCF target zones was East Africa, and Kenya seemed a likely option as both DFID and Vodafone already had a relevant presence in the country. DFID had institutional links because of the UK colonial history and Vodafone's local partner, Safaricom (owned by Vodafone for 40 per cent), had 75 per cent share of the mobile phone market at the time and a strong brand presence (Owiro and Tanui 2011). Also local institutions, particularly the Central Bank of Kenya (CBK), expressed a willingness to collaborate on a project aimed at financial inclusion. The funding was followed by field research to develop the M-Pesa digital, physical, and legal infrastructure.

Vodafone commissioned the development of the M-Pesa software to Scientific Generics (now Sagentia), a consultancy firm based in the UK. Many of the available financial service platforms had been designed for integration with Western banking infrastructures and could only add new channels via which customers could access their bank accounts. However, M-Pesa was intended not as a banking service but as a mobile network operator (MNO)-based service outside the banking infrastructure, so its functionality needed to be integrated with MNO products and services (Wooder and Baker 2012). The software was developed around the well-known and widely-available SMS technology to allow the system to be used on basic, black-and-white mobile phones. M-Pesa was situated on the SIM card and linked to the mobile number, and the system was designed in both English and Swahili to be used by people living in the rural areas.

Vodafone and DFID initially intended M-Pesa as a system to facilitate microfinance transactions, but following a pilot to test its functionality it became clear that most customers were more interested in a low-cost payment service. M-Pesa had to facilitate the transfer of money by allowing the conversion of cash into electronic money (e-money); the transfer of e-money to other users, whether people or institutions, for which the payer would pay a fee proportionate to the amount transferred; and the conversion of e-money back into cash, for which the payee would pay a fee. To do this, Vodafone and DFID relied on Safaricom's well-established network of airtime dealer outlets, using them as mobile money agents where consumers could go to open an M-Pesa account and convert cash into e-money and vice versa.

3.2 The Mobile Money Regulatory Arrangements

When M-Pesa was being developed in 2005-2006, there was no regulation on mobile money and DFID, Vodafone, and Safaricom, in consultation with CBK, had to make key regulatory decisions. They decided to keep the M-Pesa money in a trust account at the Commercial Bank of Africa, managed by the non-profit M-Pesa Holding Company.[8] As M-Pesa is a money transfer system and not a

8 Declaration of Trust, M-Pesa Holding Co Limited, 23 February 2007. As the size of the M-Pesa Trust account grew, the trustee in consultation with CBK decided to spread the funds across several banks to reduce the risk of single custodial bank or corruption.

banking service, customers remain in control of their electronic money at all times. There is no financial intermediation in banking terms between the M-Pesa customers and the mobile money agents. The agents do not perform bank credit assessments as deposit-taking banking institutions do, but just exchange cash for electronic money and vice-versa. M-Pesa is not regulated as a "banking business," which according to the Banking Act involves not only accepting money from the public but also "the employing of money held on deposit on current accounts, or any part of the money, by lending, investment or in any manner for the account and at the risk of the person so employing the money."[9] This also means that M-Pesa customers are not paid interest on the money kept in the M-Pesa account. The interest on customers' deposits is paid to the M-Pesa Holding Company and managed by the M-Pesa Foundation, created in 2010 for this purpose as an independent charitable trust.[10] The interest earned on these accounts are part of Safaricom philanthropic activities, which also means that no taxes are paid on them. There is a lack of clarity about who controls or can profit from the funds when they are sitting in the trust account (Malala 2018, 150).

M-Pesa is a fee-based service. The fee itself has an important regulatory role defining access to the service and also represents a secure source of income for the MNO. The fee for each transaction is taken directly from the customer's account as a fixed amount rather than a percentage of the transaction, making each transaction profitable for the MNO on a stand-alone basis. There is no charge for signing up to the service or for converting cash into e-money (i.e., cashing in, depositing money), and the charge for transferring e-money and reconverting it into cash (i.e., cashing out, withdrawing money) depends on the amount and whether the recipient is registered with M-Pesa.[11]

After the launch of M-Pesa in 2007, CBK opted for a "test and learn" approach to the regulation of mobile money services.[12] This means that while various audits were conducted to make sure that M-Pesa complied with international rules such as anti-money laundering (AML) and counter-terrorist financing (CTF), CBK supervised the service in partnership with the MNO, maintaining

9 Laws of Kenya, Banking Act 1989 (as amended to 15 September 2015), Nairobi: Central Bank of Kenya. Part I section 2(C).

10 M-Pesa Holding Co Limited Declaration of Trust <https://www.safaricom.co.ke/images/Downloads/Personal/M-PESA/deed_of_amendment_to_declaration_of_trust_-_mpesa_account_holders.pdf> (accessed 3 May 2019).

11 Fees for money transfers currently range from 11 KES to send 101–500 KES; 77 KES to send 5,001–7,500 KES; and 105 to send 20,001–70,000 KES, which is the maximum amount that can be transferred. With the latest changes to the fees structure there is no fee to transfer 1-100 KES, but it costs 10 KES to withdraw 50–100 KES, with a minimum withdrawal of 50 KES. 1 KES = 0,0099 USD. The full list of M-Pesa charges is available here <https://www.safaricom.co.ke/personal/m-pesa/getting-started/m-pesa-rates> (Accessed 2 May 2019).

12 This term was used by Njuguna Ngundu, governor of the Central Bank of Kenya from 2007 to 2015. See B. Muthiora, Enabling Mobile Money Policies in Kenya: Fostering a Digital Financial Revolution, London: GSMA, January 2015.

an openness to new financial services and providers.[13] The CBK allowed Safaricom to operate under a special Communications Commission of Kenya licence without the need for a banking licence, and the Communications Act 1998 was amended in 2009 to recognise electronic transactions.[14] This demonstrates how M-Pesa was created at the intersection between telecommunications and finance, requiring the CBK and the Communications Authority of Kenya to collaborate on its regulation.

After conducting various legal and risk assessments and authorising two external audits, the CBK issued Safaricom with a Letter of No Objection (Muthiora 2015, 11). The letter represented M-Pesa's regulatory framework from its launch in 2007 to 2014, when the National Payment System (NPS) Regulations were adopted by the National Treasury.[15] The "test and learn" approach facilitated the rapid expansion of the service. The NPS Regulations codified the regulatory practices adopted by the CBK since the launch of M-Pesa and aimed to ensure the system's integrity and security, but also to validate the mobile money social entrepreneurship model and favour the further expansion of the system by allowing both banks and non-banks to provide mobile money services, and mobile money providers to offer a variety of e-money products (Muthiora 2015, 20). While mobile money services in Kenya are currently provided by other MNOs besides Safaricom and by financial institutions, M-Pesa remains dominant with over 24 million subscriptions as of September 2018.[16]

Since the launch of M-Pesa, Safaricom has become Kenya's largest and most profitable company, making profits of 63.40 billion KES (about 620 million USD) in 2019.[17] While Safaricom brands itself as distinctly Kenyan, and as the company that has brought first the mobile and then financial services to all Kenyans, it is important to consider that it is owned by the Kenyan government only for 35 per cent, 40 per cent is owned by Vodafone and the remaining 25 per cent of shares, sold by the government in 2008 for 52 billion KES (The Economist, 2008), are held in small tranches by a range of mainly foreign investors. While it is still unclear whether the money contributed to public services, recent suggestions advanced by the Kenyan government to tax part of the M-Pesa revenue to fund a universal healthcare programme have been dismissed by Safaricom as

[13] See Alliance for Financial Inclusion, Case study: Enabling Mobile Money Transfers: The Central Bank of Kenya's Treatment of M-Pesa, 2010 <https://www.afi-global.org/sites/default/files/publications/afi_casestudy_mpesa_en.pdf> (Accessed 2 May 2019).

[14] Laws of Kenya, The Kenya Information and Communication Act 1998, Chapter 411 A. Rev. 2011. Electronic transactions Part VI A.

[15] The National Payment System Regulations 2014, *Kenya Gazette* Supplement no. 119, Legislative Supplement no. 43.

[16] Communications Authority of Kenya, data April-June 2018. <https://ca.go.ke/wp-content/uploads/2018/12/Sector-Statistics-Report-Q1-2018-2019.pdf> (Accessed 14 July 2019).

[17] <https://www.safaricom.co.ke/images/Downloads/Resources_Downloads/FY2019/FY2019_Results_Presentation.pdf> (Accessed 14 July 2019). M-Pesa revenue in 2019 is almost 75 billion KES.

against the purpose of financial inclusion (Kazeem 2018). As Bateman et al. (2019) have observed, this means that a relevant portion of the revenue produced by M-Pesa is not locally redistributed but repatriated back to shareholders in the UK and other countries as a form of neo-colonial digital extraction (Bateman et al. 2019, 7-8).

This analysis demonstrates how the public-private financing of M-Pesa and its legal infrastructure have favoured the rapid expansion of the platforms. This has created an enabling environment for mobile money to grow and for providers to make profits. The analysis demonstrates that the revenue deriving from the use of the M-Pesa infrastructure and its funds is not redistributed, for instance providing public access to needed resources and services. However, possible rewards are offered through opportunities, leaving the responsibility for and risks inherent in taking advantage of them to the users, raising some questions about the "social" implications of the M-Pesa social enterprise.

4. The "Social" Dimension of the Mobile Money Enterprise

As seen, M-Pesa is premised on the idea of social entrepreneurship, combining business interests with social objectives. In M-Pesa the business value is represented by the fees paid by customers to use the service, the interests earned on the M-Pesa accounts, and the monetary and reputational gains for Safaricom and Vodafone. The social value is represented by financial inclusion and the potential economic growth and social gains that mobile money projects could bring. While M-Pesa is formally a payment service for "all Kenyans," its social impact is primarily related to the benefits it can bring to poor and low-income people and its possible contribution to the SDGs, such as access to clean water, healthcare, and affordable energy. These benefits are considered achievable through a mix of entrepreneurship, philanthropy, and partnerships seeking to extend opportunities to access financial capital, goods, and services to poor consumers.

Some of these opportunities are offered via the projects managed by the M-Pesa Foundation which, as mentioned, are funded with the interests produced by the M-Pesa customers deposits which are held by the M-Pesa Holding Company. Other opportunities are offered via mobile money-based products and services in line with the narrative of social entrepreneurship. Here Safaricom, as the MNO, provides the channel through which money moves, corporations and philanthropic foundations provide expertise and funding to develop the projects (Maurer 2015, 22). The purpose of these products and services is to facilitate access to finance for the unbanked poor, while also offering them the opportunity to access basic resources that are paid for via the M-Pesa platform in small and flexible instalments suitable for poor consumers with small and irregular income. This section analyses three mobile money-enabled products: M-KOPA, Grundfos-Lifelink, and HELP.

M-KOPA was founded in 2011 by the same Nick Hugh, the former head of social enterprise at Vodafone, who started M-Pesa. M-KOPA has been defined as "the global leader of 'pay-as-you-go' energy for off-grid customers" and its mission is "to upgrade lives by making high-quality solutions affordable to everyone."[18] Premised on the concept of sustainable development aligning with the SDGs, M-KOPA is a micro-solar system consisting of a base station with a solar panel, three lamps, and a charging kit for mobile phones. It was developed via a partnership between Safaricom, entrepreneurs, and donors initially including the Bill and Melinda Gates Foundation, DFID and the Shell Foundation, and more recently venture companies such as Gray Ghost Social Ventures, LGT Impact Ventures, and Generation Investment Management. The donors and companies provide resources to develop the system, which is offered on a credit basis to be repaid via the M-Pesa or other mobile money platforms (*kopa* itself means "to borrow" in Swahili). For customers, the electrical system costs about 18,999 KES (about 186 US dollars), which includes a deposit of 2,999 KES (about 30 US dollars) and daily payments of 50 KES (about 0.50 US dollars) for one year, made through M-Pesa, and more recently also through other mobile money systems. Customers can use the system as long as they keep up their payments, and after a year, when all the payments have been made, the customer owns the solar system. This product aims to rely on the mobile money infrastructure to "make solar products affordable to low-income households on a pay-per-use instalment plan" and promotes access to solar power as instrumental to increased opportunities for work and children's education. M-KOPA also offers other products on credit such as a tank that stores rainwater, a smartphone, and a television and offers loans to pay for school fees, allowing small and flexible repayments.

Another such product is Grundfos-Lifelink, a project developed by the Danish water-pump manufacturing company Grundfos with the purpose *of delivering* water systems and associated infrastructure to low-income markets, combining existing water service technologies with innovation in business models and payment methods. The project was piloted in 2009 in the rural semi-arid community of Katitika and relied on the M-Pesa payment system.[19] As Patricia Kameri-Mbote and Philippe Cullet (1997, 23) point out, in understanding water constraints in countries like Kenya we need to recognise how the colonial rule, attempts at modernisation, and development programmes such as SAPs affected access to water, particularly among rural communities. K'Akumu (2004, 213) explains that after independence the process of privatising water began with the adoption of the 2002 Water Act under IMF conditions, particularly affecting low-income people in rural slums and other rural areas who could not afford to pay for clean water. The Grundfos-Lifelink project aimed to address these problems by adopting a social entrepreneurship logic. Grundfos established the

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18 M-KOPA <http://www.m-kopa.com> (Accessed 10 March 2018).

19 Grundus-Lifelink project <http://www.grundfos.com/cases/find-case/grundfos-lifelink-projects-in-kenya.html> (Accessed 10 March 2019).

company Grundfos-Lifelink Kenya, a joint venture between Grundfos and the Danish Investment Fund for Development Countries, which concluded a partnership with Safaricom to provide villagers the opportunity to buy clean water from a community water pump with micropayments. In rural areas like Katitika, the upfront cost of the system needs to be funded by an external donor from the public sector, development organisations, philanthropic foundations, or corporate social responsibility programmes while the everyday water consumption finances the service and maintenance. Villagers have to transfer money through M-Pesa or other mobile money services to a smart key bob that could be used to draw water from solar-powered water pumps. According to the pilot's final report, one of the system's main objectives was to save villagers time and money and help them to start micro-businesses such as making bricks, cultivating kitchen gardens and tree nurseries, and selling bottled water in other villages from jerry cans.[20]

Projects related to healthcare include the Health Enablement and Learning Platform, HELP, a mobile phone-enabled programme to provide online training to community health workers in three areas: Kenya's Kibera slum, the rural district of Mwingi, and the Samburu pastoralist region. This project is a partnership between Amref Health Africa, the M-Pesa Foundation, Kenya's Ministry of Health, Accenture Development Partnerships, and Safaricom. The training is delivered according to a pedagogical model approved by the Ministry of Health, and the aim is to provide local volunteers with health-related mobile-phone-based training before putting them in charge of passing on the information to community members and providing support in emergencies.[21] Another project is Changamka Microhealth, an integrated health/finance company providing financing mechanisms for low-income people. It offers a medical savings plan for outpatients and maternity health care. Customers use M-Pesa to save small contributions to a smart card which locks the money in to be used when needed.[22] To promote this service, customers using the smart card are eligible for a discount at selected clinics.

These examples represent a very small part of the complex "mobile money ecosystem" in Kenya (Kendall et al. 2012, 49-64). There are numerous mobile money-enabled projects and apparently infinite possibilities for new ones. Some aim to address core development priorities, such as clean water, healthcare, and electricity, and can be considered useful in the absence of publicly provided access to basic resources and services. However, it is important to highlight that while these ideas are appealing, not all poor people can access or successfully

[20] S. Haas and G. Nagarajan, "Water Delivery Through Payment Platform: M-PESA Pushes the Rural Frontiers," *Financial Services Assessment*, 2011.

[21] Health Enablement and Learning Platform project (now called LEAP) <https://m-pesafoundation.org/cpt-ui-what-we-do/health/> (accessed 15 May 2020).

[22] Changamka Microhealth project: <http://changamka.co.ke/> (Accessed 10 March 2018).

use most of the programmes, not only because they need a mobile phone and a mobile money account but also because of the initial deposit necessary to access some of the services, and the daily or weekly commitment to pay. These products and services delivered through M-Pesa depend not on only on people's ability to access the service but also on the resources to take advantage of them: most people who are financially excluded do not have a regular source of income.[23] Some of the projects such as Grundfos-Lifelink are also limited to particular areas depending on the partnerships and the partners' interests, automatically excluding people living in other areas.[24] In addition to these issues, these projects provide limited and fractioned access to electricity and water and for this reason their long-term benefit to people at the lower end of the income distribution are often questionable. While of course different mobile money projects can have a different impact on particular local groups and areas, it is important to make some overall considerations on the social implications of mobile money-based products and services.

M-Pesa started as a project for financial inclusion, and all of the products and services developed on its platform have been tied to this main objective. Mobile money services have made access to basic resources conditional on access to finance, and have also reinforced the idea of financial inclusion as instrumental in the achievement of social objectives. However, as basic resources and services are sold through the M-Pesa infrastructure and purchasable through mobile financial services they become formalised, marketised, and financialised (Natile 2020). This also means that as the number of people "financially included" increases, livelihoods become dependent on the market and on integration within financial circuits. While people living in poverty might have more opportunities to access clean water and legal energy, they also become the target of private profit. The financialisation of resources puts profit ahead of social welfare and basic needs (Fraser 2014, 546). In the mobile money social enterprise basic resources can be bought on credit or through savings schemes, to be repaid in small and/or flexible instalments and, depending on the amount transferred, involve a fee to the MNO. At the same time, the emphasis on micro-entrepreneurship encouraged among users such as the Katitika villagers and M-KOPA customers is used to invest them with the pressure and responsibility to transform the opportunities offered via mobile money into improved livelihood.

[23] Focus group in Kawangware, Nairobi 28 November 2012, 2 December 2012; Mathare, 4 December 2012; Ngango 8 and 9 December 2012. According to the FSD and CBK FinAccess Survey conducted in 2006, the reasons for financial exclusion are lack of income (58.9 per cent) and lack of regular income (31.6 per cent). Similarly, the 2016 FinAccess survey (FSD 2007, 2016) shows that the main reason for stopping using a bank account was loss of income source (39.4 per cent).

[24] Focus group in Mathare, Nairobi, 4 December 2012.

5. Conclusion

Digital financial inclusion as a development policy has gathered pace in parallel with the increasing influence of the narrative of social entrepreneurship in international development. This article has examined the limits of this narrative in the case of M-Pesa in Kenya, one of the most successful digital financial inclusion projects to date. The first section has analysed the link between financial inclusion and social entrepreneurship by looking at various articulations of this narrative such as bottom of the pyramid (BoP) approach, social business, shared value, creative capitalism, and the increasingly dominant idea of philanthrocapitalism, a method of philanthropy that emulates for-profit business activities while encouraging poor people to take responsibility for their own development. The second section has illustrated the institutional arrangements and legal infrastructure that have contributed to the rapid expansion of M-Pesa and proliferation of mobile money providers and services, and how the revenue produced via M-Pesa goes mainly to Vodafone, Safaricom, and the M-Pesa shareholders. The third section has examined three mobile money-enabled projects, M-KOPA, Grundfos-Lifelink and HELP, and their social implications. It has pointed out that the main obstacles to access these projects are lack of income and regular income, which are also major causes of financial exclusion, and that they can be a means for the individualization of responsibility and financialisation of social problems.

Two key considerations can be done in relation to the analysis of the mobile money enterprise. The first is that mobile money legitimises a win-win "business ontology" (Fisher 2009, 17), typical of Western capitalism, according to which everything in society should be run on a business model to bring profits for the private sector, benefits for people, and prosperity for the country. This business logic increasingly makes use of the word "social" mirroring the inclusion of "social goals" in the mainstream development agenda. While in relation to business "social" was initially used to refer to amendments and reparations for corporate abuse such as in corporate social responsibility (Banerjee 2008), now business is often used as evidence of social value as demonstrated by its expansion to rural and slum areas of the Global South (McGoey 2015, 84). In the case of M-Pesa, the growth of Safaricom as a Kenyan corporation (although it is 40 per cent owned by Vodafone), its social projects, and commitment to social objectives have contributed to promoting a narrative of corporations bringing not only capital but also, and particularly, social value (Benerjee 2008). This idea of social value has been realised within the frameworks provided by international institutions such as the UN, the IMF, and the World Bank and embraced by institutions such as FSD Kenya and AFI that claim to represent the interests of the Global South. These frameworks, however, fail to recognise unequal structural conditions of the economy shaped by colonialism and development discourses (Ferguson 2006), and present mobile money as a quick fix to complex socio-economic problems, often taking attention away from the issues that cause and reproduce financial exclusion itself.

The second, and perhaps most important, reflection in order to distinguish the "social" label of the mobile money enterprise from its actual social implications, is the way in which the various forms of revenue deriving from and attracted by M-Pesa are used. The M-Pesa platform has focused on providing the unbanked poor with the opportunity to access a variety of mobile money services, rather than contributing to measures for providing them with the resources necessary to take advantage of these opportunities. For instance, the M-Pesa revenue and philanthropic funding are not redistributed via the provisioning of public services and social infrastructure. The possibility to use the M-Pesa profits to provide publicly available resources and services instead of entrepreneurial projects funded by the M-Pesa Foundation has not been considered. The profits and funds generated by the rapid development of M-Pesa, to which poor and low-income users have greatly contributed, have not been locally redistributed. They have not been used to provide free access to basic resources and services such as water, electricity, healthcare, and education, with a potential greater impact on the socio-economic disadvantages that cause financial exclusion and reproduce social inequality. Opportunities to access basic resources and services have been offered via the mobile money market, leaving the responsibility for and risks inherent in taking advantage of these to the designated beneficiaries, the unbanked poor. This paper argues that the M-Pesa social enterprise promotes an approach to digital financial inclusion based on the proliferation of financialised fee-based opportunities rather than on redistributive measures aimed at providing the unbanked poor with the means they need to take advantage of financial services.

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Feeling Good and Financing Impact: Affective Judgments as a Tool for Social Investing

Jacob Hellman *

Abstract: *»Sich gut fühlen und finanzielle Wirkung erzielen: Affektive Urteile als Instrument für soziale Investitionen«*. This article analyzes how moralized repertoires get linked to affective judgments to form the *early-stage* social impact investor, a financial subject who invests in startups for both profit and positive social impact. It draws on interviews with and observations of investors in San Diego, California. The financialization of social activities generally proceeds by quantification and commensuration. However, for startups, nothing yet exists to quantify. Instead, investors narrate ethical conversions, and evaluate through affective knowing and encounters with entrepreneurs. Simultaneously, they draw on financial skills, technologies, and disciplines to grow these startups. Startups must soon quantify their social impact to attract bigger investors, suggesting how affective and moralized forms of relation may persist, even when subsumed within larger financial flows governed by quantified reasoning.

Keywords: Social impact investing, Financialization, angel investing, affect, quantification, United States, social value.

1. Introduction

Following the 2008 financial crisis, as owners and stewards of capital increasingly wish to deploy their hoards[1] in ways consonant with their environmental and social values (Deloitte 2016), a new constellation of financial practices has coalesced under the mantle of *impact investing*. The term refers to the financing of ventures which generate both profit and social value, or impact. This article analyzes how moralized repertoires get linked to affective judgments to produce the *early-stage* social impact investor, a particular variant of this financial type. Most impact investing happens within the domain of institutional finance, e.g., large, professionally managed pension and private equity funds. There, what counts as "impact" is determined by diverse and disparate rating and ranking systems. A robust literature on market devices has detailed these

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1 "Money," when not circulating, becomes "petrified into a hoard" (Marx 1976 [1967], 228).

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processes of abstraction, demonstrating how they borrow forms of expertise from finance in order to quantify the social value, or impact, produced by organizations and businesses (Barman 2016; Chiapello and Godefroy 2017; Archer 2019). Such scholarship has demonstrated how social activities previously funded by governments and NGOs are being opened to mediation by profit-seeking financial actors, through the rating and measuring of social impact produced. These studies have focused on institutional finance, a key research site given the concentration of capital there, and also given these studies' disciplinary roots in the sociology of scientific knowledge: techniques of quantifying, modeling, and abstracting in high finance resemble those of the laboratory. But in a less elite corner of finance, a set of individual investors in "startups" (early-stage companies pursuing rapid growth) are taking a distinct approach to what they, too, call impact investing. Here, because entrepreneurial ventures are nascent and possess nothing to quantify, these early-stage investors have classically relied on their "gut" – an affective way of knowing rooted in an unacknowledged class habitus (cf. Bourdieu 1990) – to judge and value *conventional* (non-impact) startups. As the vogue for *impact* investing trickles down from institutional finance, these investors continue to rely on their affective forms of judging, belying scholarly accounts of the quantified and statistical logics colonizing non-financial domains (Fourcade 2011, Chiapello 2015). Numbers and feelings, surely, are not contradictory categories for the social studies of finance. Emotions, for example, lubricate financial transactions under conditions of fundamental uncertainty (Pixley 2002); affect imbues apparently numerical calculation to stabilize markets (Zaloom 2009). But for the financial actors examined below, affect and its embodiment are explicit tools to sense and judge *social value*, rather than the unacknowledged underpinnings of an allegedly rational financial calculus. This article contributes to the understanding of financialization by analyzing how emotional sense-making can serve as an overture to capitalizing new domain through the norms and techniques of venture capital.

Social impact rating systems such as the Impact Report Investment Standards (IRIS) aim to help construct the impact investment market by commensurating qualitatively different social impacts, thereby "allowing investors to engage in comparison across firms and funds" (Barman 2015, 30). The "investor" imagined here by practitioners and critical scholars alike is of a particular type. It may refer to the "retail" impact investor – as yet more aspirational than widespread – an individual who scrutinizes numerical ratings in glossy reports advertising social impact funds, just as she would compare interest rates on conventional investments. Or it may refer to a professional fund manager, selecting corporate securities to accord with preferences of socially concerned clients. In both cases, the investment relation is thickly mediated by institutional finance, rendering the investment an unencumbered and abstract market transaction. But consider Robert, a retired city planner in California who calls himself an impact investor, and has purchased equity in a Rwandan startup attempting to profitably turn human waste into biofuel. Robert scouted out this and similar investment deals himself, meets with the entrepreneurs, and monitors their growth. Unlike institutional impact actors, he knows impact viscerally when he sees it, and numbers do not aid his judgment.

The impact metric, then, functions not only as a commensuration device but also a "technology of distance," representing claims to social impact without the need for "intimate knowledge and personal trust" (Porter 1995, ix). When private equity firm TPG launched a $2 billion impact fund called "Rise" which uses a proprietary rating system, board member and musician-activist Bono emphasized its "rigor of metrics," contrasting this with "warm fuzzy feelings" guiding other impact investors (Sorkin 2016). Certainly, practicality is a factor here: it would be difficult for TPG, an institutional investor, to evaluate investees in the face-to-face manner of Robert, on such a large scale. One might therefore dismiss early-stage investors like Robert and others this article will examine as inconsequential for an analysis of the financialization of social activities: for one, the startups in which they invest lack a history (or "track record") of producing social impact *to* measure, and secondly, metrics and their corollary mode of mathematical reasoning are tools suited for larger securities traded on global financial markets, and not for startups, which are illiquid and long-term investments. Furthermore, financialization is understood as the turning of things – whether scientific knowledge or social activities – into tradable assets valued specifically through future-weighted modeling of risk and revenue (Birch 2016). Tackling social problems by funding startups, then, may seem more indicative of governments channelling civic aspirations into entrepreneurship (Irani 2019) than of an incursion by mathematically-based high finance. But it is the premise of this article that financialization, as a society-wide process, can manifest in unexpected forms in particular contexts. The affective approaches to small investing described below, I argue, arise as a distinct *moment*, or stage, within the broader *process* of financialization – a process which is only more easily visible in "colonies" of quantified reasoning and securitization (Chiapello 2015).

The claim that "financialization" constitutively encompasses moments in which financial markets and quantified reasoning are not immediately present hinges, for this article, on the diachronic and developmental logic of startup fundraising. Early stage investors do not purchase equity (company ownership; stock) to reap small annual dividends from operating profits. Rather, they hope to rapidly grow and then *sell* startups, generating order-of-magnitude returns. Impact startups hope, additionally, to generate large-scale social value that can be quantified and rated – thereby making themselves legible, and desirable, to institutional funds like TPG Rise. This imperative to pursue growth and eventual quantifiability is felt by a small impact fund in San Diego, which has invested several million dollars in three startups there. At present, its director, Naomi, can secure $50k investments from local individuals "after a twenty-minute conversation." But to grow, she plans to seek capital from institutional funds, and for that she understands that she must implement impact metrics. "If I could sell them on my own judgments calls, I would," she says, "but that only works for people who've known me for years." And institutional investors are interested in capitalizing these smaller entities as they grow, because the impact market, according to the Rockefeller Foundation, faces "a shortage of opportunities to invest […] and lack of innovate deal structure" (cited in Chiapello and Godefroy 2017, 166). The depth of financialization as "morphological transformation" of economies (Chiapello 2015) is revealed, therefore, in how finance allows affective and face-to-face forms of relation to persist, even as it subsumes them within larger capital flows governed by quantified reasoning.

This article illustrates how a particular type of social investment is advanced through sense-making which relies on emotions rather than quantified indicators. Even classical financial devices, it shows, can be employed within an affective frame. I first introduce the setting and approach to data collection. In section two, I present proponents' rationale for impact metrics as a device facilitating financial markets, and show why metrics do not work for early-stage investment. I then show how, in lieu of metrics, individuals narrate an experience of ethical "conversion" to impact investing. Following this change, I demonstrate, they assess social impact through embodied affect, a mode of sense-making embedded in a community of practice. Section three demonstrates that from within this new identity and practice, impact investors unproblematically continue to enact their previous professional habitus oriented toward financial growth. To do so, they rely on investment techniques borrowed from conventional venture capital, such as financial due diligence and equity-based contracts. Finally, I show how they derive satisfaction by imposing entrepreneurial disciplines on their investees and even on some fellow investors, performing the boundary between impact investing and (un-financialized) philanthropy.

1.2 Setting and Methodology

Given the face-to-face basis of much early-stage investment work, this study relies on field observations when possible. Like ethnographies of investment banks (cf. Ho 2009, Ortiz 2014), it attends to the way that financial techniques and theories become incorporated, so to speak, in bodies, emotions, and disciplines. The study also draws on close readings of subjects' narratives gleaned from interviews, as well as from their public presentations and published texts. I focus on San Diego, California, where impact proponents are working to build an "ecosystem" (as they call it) populated not only with investors and entrepreneurs, but also financial lawyers, wealth managers, tax advisors, and non-profit organizations willing to collaborate with private capital. This mid-sized city affords a manageable scale for this study. I attended six presentations and networking events, and conducted fourteen interviews ranging from one half to two hours, between 2016 to 2018. I contextualize the data I gathered with analysis of recorded presentations from the leading U.S. impact investing conference, SoCap (Social Capital Markets), from 2014 to 2017.

Because the impact field is new, no purebred impact investors yet exist. Many have professional backgrounds in conventional finance. Four informants profiled below I classify as *early-stage impact investors* (see Table 1a). Qua "early-stage," their practice models itself on institutional venture capital (VC): on its financial strategy (rapidly growing risky startups), its language and ethos (enthusiastic and optimistic), and its devices (gut judgments, speculative valuations). Qua "social impact," this label is self-applied by them. Academic attempts to pin down the definition of impact investing (Höchstädter et al. 2015) yield only an inventory of practitioners' idiosyncratic meanings. Practitioners, meanwhile, unconcerned with essences, characterize impact as a spectrum: extending from maximum impact with low financial return – termed *concessionary capital* – to lower impact with higher return. The investors I examine occupy different locations on this spectrum. All have come to the practice because they find it meaningful, and because they have a ready-to-hand professional skill set. They hold in common the belief that they can do social good – however defined – by funding nascent businesses with their own capital. Three other informants have founded or manage intermediary organizations working to grow impact investing in San Diego (see Table 1b). Finally, I draw on interviews with managers of two small impact investment funds, or "boutique shops" (see Table 1c). Technically, these are institutional investors, managing others' money, but their scale of operation aligns with the independent investors on whom I focus. These various individuals will be introduced in turn below, but I provide a summary table here.

Early-stage investors, both impact and conventional, frequently call themselves "angel investors" or "business angels." I discard that label here to avoid confusion: "angel" does *not* connote altruism, and is not inherently linked to social investing.[2] The term has long been used in conventional for-profit investing, and marks two key characteristics. First, early-stage or angel investors supply the initial capital into nascent entities sometimes consisting of only an entrepreneur and an idea. Second, unlike VCs, they *invest their own money*. As such, angels are considered non-professional investors: they lack fiduciary obligations – the U.S. legal requirement for entities investing others' money to maximize profits – and thus need not justify their decisions to any other parties. Furthermore, they deploy relatively small sums of money and are generally

[2] "Angel investor" originally described wealthy individuals who personally financed early Hollywood films.

considered "unsophisticated" by VCs, who take over when startups grow and require bigger capital.

Table 1a: Early-stage impact investors

Name	Professional background	Sample impact investments (self-defined)	Position on spectrum
Mai	Corporate investor relations at large pharmaceutical company	(1) local fruit wine brewer; residential solar marketing company, (3) platform for anonymous sexual assault reporting	Leaning towards market-rate
Samuel	Technology entrepreneur, real estate developer, and mortgage-backed securities	(1) startup app to help businesses track social impact metrics; (2) loan fund to help poor youth lease cars; (3) fair trade importer	Between market-rate and Concessionary (impact-first)
Robert / Solana Ventures	Public-private partnerships in urban land redevelopment	*In Rwanda & Kenya:* (1) biofuel-from-human-waste business, (2) wholesaler of crops from small farms; (3) drinking water distributor	Concessionary (impact-first)
Marco	Quantitative finance for hedge fund	multiple local agriculture and food businesses	Concessionary (impact-first)

Table 1b: Intermediaries

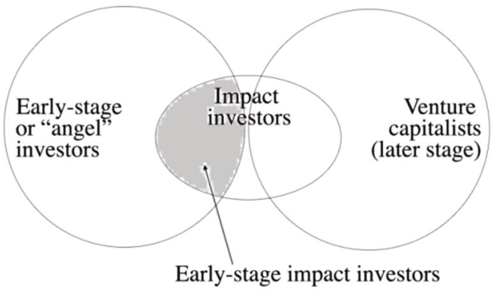
Name	Organization type	Function
Inflection Point (Nicholas)	San Diego-based, with national scope. Founded in 2010	Initially ranked social businesses. Transitioned to providing best practices and "convening" high-level employees to encourage corporate pursuit of social impact
Impact Investing San Diego. (IISD) (Naomi)	San-Diego-focused non-profit organization, founded in 2013	"Ecosystem" building. Encourages new impact investors, connects them to entrepreneurs and investment opportunities
Slow Money SoCal (*cf.* Marco)	Southern California chapter of federated international organization	Brings together wealthy individuals at private gatherings to encourage investment in local food and agriculture businesses

Table 1c: Impact investment firms

Name	Firm type	Impact instruments
Segel Capital (Fred)	Small impact-only investment firm with HNWIs and foundations as clients, based in San Francisco	Asset classes range from stocks indexes to equity in businesses. Uses proprietary impact rating system
Obvious Ventures (J. Joaquin)	Mid-sized venture capital firm, founded 2010	Invests in technology-based startups which it deems to be "world-positive," distancing itself from the "impact" label. No rating system

The recent presence of *impact* investors in San Diego is due to the city's active *conventional* investor network, which emerged in tandem with its strong technology and biotechnology sector – itself the outcome of decades of military contracts and government funding tied to research universities (Walshok and Shragge 2013). The commercial potential of that research spurred the development of a network of early-stage ("angel") and VC (later-stage) investors. Over the past two decades, as the cost of launching a startup has dropped, the global VC sector has segmented. Professional VC firms have turned to mature and higher-value startups, opening new terrain for individuals who are not professional financiers to invest in the proliferating startups at the bottom. This transformation is enabled in particular by the growth in high net worth individuals,[3] who find here a wide-open field to engage in an exciting activity – to wield a bit of influence, offer advice, and get close to the apparent heartbeat of innovation. Thus, despite their low station in the pantheon of finance, the angel i.e., early-stage investor is a social role which is presently *becoming generalized*, making it a particularly relevant object of analysis (See Figure 1).

Figure 1: Category map of investors examined in this article



2. Social Value Metrics and the Places They Don't Work

This section first maps the rationale of impact metrics, which are intended to signal to impact-maximizing market actors. Yet in practice, it shows, these actors do not always respond to the information as rationally as imagined. For early-stage enterprises whose projects are not yet ready to be measured, investors rely on affect and embodied judgments to make sense of their activities as socially oriented. They learn to do so, and to recognize and affirm each other, in a community of practice.

3 The Securities and Exchange Commission designation requires individuals to have an annual income above $200,000, or a net worth of more than $1 million, to invest in private companies such as startups. Between 1982 and 2015, according to SEC data, the number of "accredited investor" households increased tenfold, from 1.5 million to 16 million (Eaglesham et al. 2018).

2.1 Social Value Metrics as a Market Signal

In relation to the lineage of projects to make capitalism more "caring," including Socially Responsible Investing (SRI) and Corporate Social Responsibility (CSR), promoters of impact investing distinguish it by the mandate to quantify and measure the non-financial, i.e., social value or "impact," that firms produce.[4] At least this is how it has been defined since The Rockefeller Foundation convened high-profile philanthropic, finance, and corporate actors in 2011 to create the Global Impact Investment Rating System (GIIRS), a standard to measure the "social value" produced by corporations (Barman 2016). GIIRS is not an epistemological undertaking. Its purpose is not fundamentally to assert the truth that certain qualities measured count as "social value." Its founders have a more pragmatic aim: a rating system, by establishing equivalency between diverse forms of social value, should create an efficient market which will direct capital to those who produce it best. The argument for metrics, then, cashes out in terms of fostering growth of the most effective social businesses.[5]

Social value metrics are intended for use by institutional investors: financial professionals investing large pools of capital on behalf of, e.g., pension funds and wealthy individuals. An industry of consultants has emerged to do this work of quantifying businesses' social interventions. Ethnographers have provided accounts of how such rating labor gets done: by "value entrepreneurs" (Barman 2016) based in offices, reading reports, working with statistics, and translating techniques from financial valuation (Archer 2018). But three tendencies of practice challenge the narrative that these metrics, once generated, unproblematically disseminate information to rational investors who compare products prior to deploying capital: (1) despite attempts to unify the impact market with shared judgment practices (Chiapello and Godefroy 2017), multiple and competing rating systems have been introduced – not only by market intermediaries like GIIRS, but also by private funds – leading to an "arms race," as one fund manager put it, which negates the raison d'être of a common standard; (2) several of my informants suggested that anyway, many investors do not attend closely to quantified ratings because they come already committed to a particular social program, and (3) despite the existence of these rating systems – or perhaps as their very outcome – "greenwashed" finance products have made it to market: BlackRock, the world's largest asset manager, launched its Impact US Equities Fund, whose "Schedule of Investments" lists mining companies, major banks, and Domino's Pizza (BlackRock 2019). To-

4 This differs from "Social Return on Investment," an accounting methodology whose metric is not social impact, but money; it measures social impact indirectly by monetizing estimated benefits (Hall et al. 2015).

5 Social impact is also not equivalent to the "social enterprise" movement that emerged from the Harvard Business School in the 1990s: the latter taught business methodologies to non-profit organizations (Barman 2016, 63).

gether, these tendencies suggest that corporate social responsibility officers, rating intermediaries, and impact fund managers may form a self-contained circuit – producing, assessing, and consuming metrics – detached from the concrete work of the enterprises being rated. Indeed, such a situation has characterized the roll-out of Social Impact Bonds (SIBs). Interest in this new "pay-for-success" instrument for privately funding social services with government reimbursement comes *not* from lustful financiers scouring for unconventional investment opportunities. Rather, "the primary advocates of this model have been a diverse group of professional consultants and advisors" (Williams 2018). The various ways metrics fall short of the ideal of efficient market information point to the lacuna in studying financialization of social activities exclusively through the lens of institutional actors and their market devices.

As the field of institutional impact investing has congealed, it has inspired the small, independent investors who are the subjects of this article to orient their practice toward social activities. Although these early-stage investors do not employ impact metrics, they identify with the "impact" label, and listen in on that discursive universe: they read impact investing blogs and news sites, and attend its conferences. The next section elaborates how they recognize a "social" investment, and in so doing, recognize themselves as impact investors. Boltanski and Chiapello (2005), accounting for the ideological success of Fordist-era capitalism in securing the consent of its cadres, propose that an abstract justification based on the societal virtues of the free market did not itself motivate managers to go to work in regimented firms each morning. Similarly, I suggest, the rationale that quantification yields efficient (impactful) capital allocation may animate intermediaries like the Rockefeller Foundation who take a market-level perspective – but such an abstraction would not motivate early-stage impact investors, who instead relate affectively to their financial practice.

2.2 The Self as Somatic Barometer for Social Value

This section exhibits two forms of judging social value more fit than impact metrics for early-stage or "direct" investing, i.e., unmediated by financial institutions and markets. But before examining *how* these investors select impact startups and assess their progress, we should examine their *capacity* to know in this regard. For many, what authorizes oneself to become a valid judge of social value is undergoing a conversion they call an "*a-ha!* moment." Here the term refers not to a scientific insight, but to an ethical one. Frequently striking after a career in the private sector, it ties together a desire to *do good* via one's wealth, with the conviction that entrepreneurship – and not philanthropy – is the most effective means. At conferences and in publications central to the diffusion of impact investing, speakers frequently narrate their own *a-ha* moment, in a performative act which is crucial to making real their new hybrid financial identity. For some, a personal crisis triggers the reorientation. Fred, the manager of boutique impact investment firm Segel Capital, presenting to a group of local philanthropists, introduced himself and his colleagues as "refugees from financial services." After reciting their pedigrees (one, a trader at Deutsche Bank; another, portfolio construction at Bank of America), he recounted his own cancer diagnosis: "it changed my outlook on my professional life. I thought about my skills, and what I could do with them [...] and found Segel, a perfect marriage of helping the world and my professional background." Thus while upholding a continuity of expertise with conventional finance, he simultaneously broke with its (non-)ethical orientation – and, evangelizing, implied his audience could do likewise.

For others, the *a-ha* moment was triggered by the 2008 financial crisis. Marco Vangelisti is a spokesperson for Slow Money, which helps its global members invest in their local food economies. In a TED talk, keynote addresses, and blog posts, he recounts how he worked for decades at a "glamorous" investment job while also identifying as a committed environmentalist. The highest performing company in the portfolio he managed also destroyed rainforests, and, in 2008, he says, "the cognitive dissonance became too great to ignore." First, he left his job. Then, he divested his personal assets from all conventional financial securities, and reinvested in local businesses whose effects he could directly perceive. Addressing his audience, Vangelisti layers an emotional appeal on top of financial advice, stressing that one must learn to "overcome concerns" and be comfortable when one's assets are no longer globally diversified and entrusted to big institutions (Vangelisti 2017). Thus the *a-ha* moment, by transforming one's emotional relation to risk, helps reimagine what a financial technique can do.

Having undergone this performative transformation, how do investors judge when an investment counts as impact? In lieu of rating systems, they may rely on sensations of physical and moral wellness to affirm that they are engaging with the right kind of startup. Mai was a corporate investor relations manager, retired early, and began to build a portfolio of equity in conventional startups in San Diego. Several years ago, one of these investments went bad. In the midst of being sued, Mai told me candidly, she developed a stress-induced facial tick. A psychologist encouraged her to "shift a bit of [her] investment effort and do something good for the world." She had recently met an entrepreneur pitching a for-profit software platform for anonymous sexual assault reporting. So, passing the psychologist's advice through her professional habitus, she called up the entrepreneur and committed to invest. Her facial tick disappeared that afternoon. "I just want to support what he's doing," Mai told me. "I said, 'I'm here as a sounding board for you – call me any time you want; we'll meet for coffee.'" Investment bankers, too, may speak of moral fulfillment derived from pro bono work managing an impact fund (Bourgeron 2016). But they are office-bound, supplying capital in absentia from the enterprise. Mai's sensuous form of judging, in contrast, depends on mentorship relations with her investees unmediated by markets and rating systems.

Samuel judges impact in a different affective register. After successful careers in software entrepreneurship and then mortgage-backed securities, he chose to enhance his annual philanthropic giving by mentoring a foster care teenager. He volunteered at a nonprofit organization to which he also donates money, Youth Mentoring Network (YMN). The relationship between Samuel and the teen progressed from gifts of commodities (taking him shopping at Walmart) to the sharing of social capital (introductions to his professional network). "What's interesting is that I wound up becoming a better father for my own kids as a result of getting involved," Samuel reflected. And this transformation ramified beyond his own domestic relations. Normally, in such volunteer work, the nonprofit organization coordinates activity but is not itself fundamentally changed. But in this case, Samuel, significantly moved by his experience, began a multi-year effort to inject techniques of corporate finance into YMN's operations, enabling it to leverage private capital (see 3.3) – thus collapsing charity work into finance.

2.3 Ecosystem (As Evangelizer), Not Market (As Allocator)

A-ha moments and somatic experiences do not strike individuals in isolation, but are modeled by peers and reinforced through narration at gatherings within the "ecosystem," a metaphor borrowed from the conventional startup sector. The ecosystem encompasses amateur and professional investors, social businesses, financial lawyers, and other intermediaries, and as metaphor, indicates their interdependency. Metrics, as an ideal, supply information to buyers of investment goods on an anonymous market. The ecosystem, in contrast, is social machinery for converting individuals into impact investors, providing affirmation through community. My informants see San Diego's impact ecosystem as lacking in critical mass. Building it requires *networking labor*, which is affective as much as organizational. When Naomi of local intermediary IISD (see Table 1) returned from SoCap, the premiere North American impact investing conference, she held a webinar to debrief IISD's investor-members. After summarizing, she played a video clip from a conference keynote by a social activist poet. Someone on the webinar, echoing the poet's words, asked how she herself might "help more people to lead with their heart rather than their spreadsheets." Naomi replied by conscripting everyone listening into the project of ecosystem building: "convene small learning circles […] invest in individual conversations […] it's a long process."

Beyond generic networking events, ecosystems congeal through "convenings," a recent business locution denoting meetings of influential individuals and a targeted agenda.[6] Inflection Point is an impact intermediary formed in San Diego by a disillusioned young business consultant, originally to profile and rate "[social] purpose-driven businesses" internationally. But after several years, the founder, Nicholas, saw that this strategy, implicitly relying on the ideal of efficient market information, was not effective. "I've pivoted," he said. "My focus is now finding people inside those companies who want to change dynamics in the economy – *doing high level convening*, helping those people trust each other, and then sharing the wisdom." This approach facilitates financialization not in the manner of a market device like a metric, but indirectly, via affective and relational work. The networking labor of "convening" and *inspiring* executives to make social and environmental activities constitutively part of normal operations helps their companies become legible to institutional impact funds and rating systems.

3. Venture Capital Methods Influence and Undermine the Pursuit of Impact

On the one hand, early-stage impact investors look to affective experience rather than quantified indicators, the latter being one tool by which finance reaches into new domains. However, these investors employ an alternative technique of financialization: they construe value always in terms of future revenue potential (Chiapello 2015, 17). This is visible in their concern for assessing and selecting businesses bent on rapid expansion, in their adherence to contracts structured to multiply their capital, and as they discipline entrepreneurs toward these ends.

3.1 Commercial Success as a Gauge of Social Value Production

The early-stage impact investor will encounter many entrepreneurs who promise to produce social value; discerning which are good *investments* draws on their prior experience with conventional finance. Venture capital methodology foregrounds a sensitivity to character virtues of entrepreneurs rather than to the product itself (cf. Shapin 2009, 270), and an orientation toward the potential for exponential growth. Thus while Mai hoped that the sexual assault reporting app "could bring justice to the corporate world" (see 2.2), she simultaneously brainstormed how it might "monetize" its users: perhaps inviting lawyers to advertise their services, or providing sexual assault prevention education to businesses. Here she invoked the centerpiece of VC logic: "I was interested in

[6] The term is preferred by the Trump administration: "First Lady Convenes Tech Companies to Tackle Cyberbullying" (*The New York Times* March 3, 2018).

[the entrepreneur] because he's *scalable* – it's a technology database with a marketing platform." Mai harmonized a judgment of impact by her facial tick (see 2.2), with a judgment of value by the potential for quick growth.

When an investor has become sufficiently intrigued by an entrepreneur's pitch, the parties enter due diligence, a process of verifying the latter's claims, such as employment history, patents obtained, and projected demand. Precisely because this procedure is native to conventional investing, impact investors emphasize that they conduct rigorous "diligence," to distinguish their practice as finance and not philanthropy. Thus Fred, presenting Segel Capital's impact fund (see 2.2), insisted that they "approach every investment with a healthy level of cynicism: it has to work as a business." Informants repeatedly stressed that "diligencing" an impact deal follows a process equally narrow in financial scope to that for non-impact deals. It involves legal searches to ascertain whether the corporation is properly formed, has a governance structure amenable to investors, and has bank accounts with established credit. One interviewee characterized Slow Money (see 2.2) as "a group of beginners who need [conventional investors] with experience, willing to do the diligence work." Lacking such expertise, they partnered with a private lender to conduct due diligence and service their loans to local food businesses. Diligence, then, is an epistemic procedure that bridges moments of affective judgment into financial circulation.

Once an early-stage investor believes she has selected a business where social benefit is constitutively "baked in" to the product, then *financial* success becomes a proxy for social value. Indeed the ideal impact investor habitus fuses these two sensitivities to social and financial potential. Thus when asked by a presentation attendee whether Segel Capital identifies investible companies by first considering social impact, and then financial viability of the business, or vice versa, Fred claimed not to differentiate between the two – while in the same breath, insisting they prioritize financial soundness when selecting. This quasi-contradiction is made to disappear through a means-ends criterion which holds social mission to be folly if the business is unsustainable financially. Taken to the extreme, this logic negates impact's categorial specificity: socially oriented venture capital firm Obvious Ventures has banned the "i-word," as their director Joaquin refers to impact, because they believe clients, whose money they invest, associate the term with "concessionary" capital (lower returns in exchange for impact). Instead, they call themselves "world-positive investors." Joaquin says defiantly: "We don't measure social impact. EBITDA [revenue] *is* our measurement – *you don't need a separate measurement*."[7] But if revenue is a necessary qualifier, it is not sufficient: when pushed

7 EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization) is a proxy for revenue. It is used by venture capitalists to value startups which have not yet generated revenue.

on the point in an interview, Joaquin conceded that their analysts present research on potential investments to the fund's partners, who decide intuitively which are "world-positive." These equivocations between social and financial value are not disingenuous, but rather point to the historical contingency of the categories; even the idea that "value" means "future earning power" has not always been natural, but was the object of pedagogical labor in early 20th century business schools (Muniesa 2016).

3.2 Varieties of Contract Forms and How They Prioritize Financial Returns

Impact investors take contractual forms seriously, even when committing capital to "concessionary" projects where below-market returns are likely. Robert of Solana Ventures is a former city planner who inherited money. In his retirement, he wanted to make the world better using expertise he had acquired financing urban industrial zones (see 1.1). He is discerning in which countries he selects, but not based on impact need. Although Robert does not *say* he operates exclusively in "capitalist" environments, he articulated this choice more subtly and precisely: he loans out his capital only in countries with independent judiciaries which "respect the rights of investors" – that is, the property rights in money. For the Kenya biofuels investment, he and two co-investors formed a Delaware LLC[8] to purchase shares in the Kenyan subsidiary. This afforded tax benefits, and legal protection for their other personal assets. It also enabled one investor to easily sell his equity to a third party when he wanted capital for a different investment. Even when not undertaken for personal enrichment, impact investments remain fundamentally instruments for circulating and growing capital. "I want to be able to keep recycling [i.e., reinvesting] the money," Robert says. "When I'm in a wheelchair, then I'll just give it away." Were he doing philanthropy, neither the LLC nor the stipulation that courts uphold contracts would be relevant. While Robert knows a social impact investment by gut feel (see 1.1), he "financializes" by spreading western norms of contractual engagement.

Though firms may enter into a relationship with investors in various ways (e.g., by issuing a bond – essentially a loan), direct investments in social enterprises typically default to the sale of equity (ownership). This model has been normalized by venture capitalists over decades of financing conventional startups. Equity is risky for investors, who are repaid last (after creditors) if the startup fails, a statistically likely outcome. But if the startup grows, investors

[8] The U.S. state of Delaware has notoriously minimal corporate disclosure requirements and tax obligations.

can earn orders of magnitude more than a loan would yield,[9] by selling their ownership. Some impact actors, however, argue that equity-based funding sets up incentives which conflict with the pursuit of social mission: equity investors, qua shareholders, participate in company governance, and may prioritize financial growth in order to make the company attractive to buyers. This may strain resources and cause neglect of social mission. As Nicholas of Inflection Point (see 2.3) saw it, eager young social entrepreneurs often accept an equity structure because it has been made familiar through copious how-to blogs, videos, and workshops directed at aspiring (conventional) entrepreneurs. "They raise a round [of financing] and give away equity; they burn through that and give away some more. Then down the line there's this realization: '*oh*, how do we possibly deliver on that? We have to *sell the company.*'" Nicholas is haunted by the story of ecological soap company Seventh Generation. Despite registering as a Benefit Corporation – a new legal designation relaxing the fiduciary obligations required by equity financing (cf. Collins and Kahn 2016) – the company's founder was forced out when resisted investor pressure to grow. The distrust of equity mirrors critiques of the shareholder value movement: it imposes on all decisions a short-term accounting logic (cf. Lazonick and O'Sullivan 2000).

If intermediaries like Nicholas are suspicious of equity investors potentially "perverting" the relationship with entrepreneurs, these positions sometimes flip: "impact-first" i.e., concessionary investors may be more concerned than some entrepreneurs to design contracts which incentivize social return vis à vis financial return. In such cases, what assurances do impact-first investors have? *Conventional* early-stage contracts often specify quantifiable "milestones" for financial growth which are "not rough estimations […] but imperatives that must align with the investment's […] valuation rational" (Muniesa et al. 2017, 29). Unsurprisingly, then, those who reject social impact metrics dismiss the idea of contractually guaranteed impact "milestones." As "pay-for-performance" Social Impact Bonds in the public sector have demonstrated, isolating and assessing outcomes is always fraught, and ambiguities in assessment methodology quickly blossom into economic and political disputes (Warner 2015). Obvious Ventures' Joaquin bristled in an interview at the suggestion of contractually binding entrepreneurs to produce social value; he relies instead on his intuition for selecting "[social] value-aligned" entrepreneurs, and he prospectively attributes any shortcomings to exogenous factors. However, he did not leave impact expectations entirely uncodified: in 2017, Obvious published on their blog a template for what they called a "World Positive Term Sheet." Term sheets accompany VC contracts, specifying terms like the degree

[9] Venture capital's emphasis on exponential growth is not simple greed, but a function of their portfolio strategy which spreads the investment fund across many startups. The total returns often derive from one outsized success which makes up for other losses.

of control ceded to investors. As a speculative exercise, Obvious added a category of clauses pertaining to social impact: e.g., "We plan to make extra efforts, at some extra initial cost, to remove hidden bias from our recruiting process," and "We have removed all plastic bottles from our office kitchen" (Joaquin 2017). While this publicity grab incorporates no mechanism of guarantee, it does aim to (gently) question norms about what belongs in the term sheet, the cardinal document of venture capital deals.

Distrust of equity-based contracts and reluctance to set hard impact targets has renewed interest in a quotidian approach to financing in which the startup takes a loan, to be repaid out of operating profit. The model, termed revenue-based financing (RBF), proposes to more closely "align" interests of the investor with the entrepreneur's social mission. Investors receive a percentage of the enterprise's revenue up to an agreed maximum gain on principal. But, Nicholas of Inflection Point stresses, RBF holds little appeal for investors habituated to equity deals, where each is a (risky) bet that "the company goes public and everyone makes like a hundred million dollars." Nicholas laughed uncomfortably. Even a highly successful RBF-funded enterprise will be less profitable to investors than if funded through equity. The RBF in an instrument which materializes a moral proposition: extract less value. The point is not that investors with "concessionary" inclinations are out there, waiting to be found. Rather, RBF advocates hope this contract structure will help provoke into being (Muniesa 2014) a new kind of investor-subject.[10] And they understand it will require supportive social context. At "convenings" (see 2.3), Nicholas and other intermediaries do the affective work of coaching both conventional investors and the philanthropically-inclined wealthy to re-frame their own norms about what an investment contract ought to look like.

3.3 Affective Financialization: Deriving Satisfaction From Disciplining Entrepreneurs

The impact investors and intermediaries profiled here seek to intervene *in* but also *through* the private enterprise system. As such, they aim to infuse social activities with skills and behaviors distilled from the world of conventional entrepreneurship, and they find satisfaction in doing so. Their work may be understood as *disciplinary*, in two senses: as policing divisions between domains, and as cultivating mastery of a technique. Here, their disciplining targets two classes of actors: first, social entrepreneurs and nonprofit organizations,

[10] Of my informants, only Samuel has used an RBF in his own investment. Robert's use of equity in his East Africa investments testifies to the cultural entanglements of venture capital financing (where equity is the norm) and entrepreneurial innovation as mechanism of national development (cf. Irani 2019).

and second, other funders – philanthropic donors and professional peers being (re)formed as nascent impact investors.

As a direct investor into social enterprises in East Africa, Robert of Solana Ventures enjoys making first-order interventions, rather than pursuing his values vicariously through the intermediation of an impact investment fund. We might gloss his work as the disciplining of aspiring entrepreneurs. Traveling to small business conventions in the global south, he finds that many entrepreneurs' business plans fall below standards for presenting to a commercial bank, and offers to coach them. "The entrepreneurs in those countries are not up to speed," he says, "and you have to be patient." Robert invests in the most promising ones, and provides what guidance he can from a distance. Although after five years, one of his eight portfolio companies is failing, and none have returned principle, it would be incorrect to therefore call his practice philanthropy masquerading as investment. This distinction is performed through both stick and carrot. On the one hand, Robert is scrupulous in holding his investees to private-sector financial norms: "we loaned [one entrepreneur] $80,000 at 12%, which is about market rate. I don't want to lend to him at a concessionary rate. I want him to think this is *not* donated money." But he also assists his investees in performing competency. Consider that while early modern double-entry bookkeeping was rife with technical errors, merchants were nonetheless able to "take advantage of the legitimacy conferred on their activity by the practice of mathematical skills" (Chiapello 2007, 272; Carruthers and Espeland 1991). Robert, by coaching his investees to make their financial statements professionally presentable, enables them to signal their financial legitimacy. As he puts it, he is "exporting the American culture of entrepreneurship" – and derives meaning and satisfaction from doing so. And in all this labor, Robert is doing one small part of prepping East Africa for the tentacles of bigger (impact) capital to come.

The second target of disciplines are philanthropists and socially-minded investors themselves. In rock-star Bono's concise formulation, at a press conference announcing the $2 *billion* "Rise" impact fund by private equity firm TPG Growth, "there is a lazy-mindedness that we afford the do-gooders" (Sorkin 2016). This statement reflects anxiety among impact promoters after an initial wave of ventures either failed to return money, or failed to create much measurable impact – thus leaving them no claim to differentiation from either charity *or* conventional investments. The same moralizing attitude can be found even among early-stage investors who do not use metrics. At an entrepreneurship conference I attended, a former research scientist and successful investor announced her new project, The Next Wave Impact Fund, a network of 100 women jointly investing in social impact startups. "This is *not* not-for-profits," she said, her voice rising in emphasis. "You can have social impact *and* actually make some money." Indeed this rhetoric is two-tiered: professional impact investors impose disciplines on soft-hearted philanthropists to, in turn, discipline their investees. Thus in his presentation to San Diego philanthropists, Fred of Segel Capital explained that "it's important in this space to have *investment discipline* […] and not fall in love with the narrative of a social entrepreneur." He emphasized that impact investors must assess the financial viability of the business opportunity on its own terms. "People often say, 'oh we love the entrepreneur so let's just give him [*sic*] some money.' But if they're not running the enterprise well, they won't be around in a year and it won't make any impact."

Above, I described how Samuel, after mentoring a foster youth, pushed the nonprofit YMN to reconfigure its financial structure according to his own professional worldview (see 2.2). His experience running a $300 million mortgage fund and developing real estate taught him to integrate private capital with government funding (homeownership subsidies). With this knowledge of "blended capital stacks," he guided YMN to establish a "creative auto[mobile] financing" loan for youth in their program. Previously, the nonprofit had solicited donations to subsidize youth who took market-rate car loans from a private lender. Samuel recounts: "I said 'why don't we get a bank involved, and get some leverage.' [YMN staff] said, '*ooh*, what?'" His proposal exceeded both their technical familiarity, and their norms about which financial instruments a nonprofit ought to use. But, he convinced them, and engineered a loan pool from three sources of capital: (1) the nonprofit YMN; (2) local impact investors; and (3) a private bank. Initially, the bank had been unwilling to loan to the youth at less than 16%, even with YMN contributing collateral. But with several impact investors supplying an extra layer of risk protection, the bank agreed to lower terms, and lent at a leveraged rate of 3:1 – making available three times as much capital for loans as YMN and the impact investors contributed. Achieving this required affective, relational labor: "*it was a freaking nightmare*," Samuel said. "With a nonprofit, you have to deal with the board of directors. Then the board wants to funnel it off to a committee; the committee's gotta consult with the subcommittee. That deal took two years to put together. If I were doing it privately, I'd have had it done in three months." Organizational culture stood as a barrier between a conventional state and a financialized state of the nonprofit, which Samuel carried the knowledge and the will to overcome. The deal counted as "impact" for him not only because it provided financing for an in-need constituency – automobility in a suburban environment makes marginalized youth employable, and thus affords class mobility – but also because it structurally transformed the nonprofit organization. Now, Samuel emphasized, the donations YMN received could be earmarked for those more purely philanthropic programs unable to leverage impact capital. But it also represents one of a thousand small cuts into the category barrier between finance and social services.

"Blended" public-private financing is not new. I highlight the above case because it exemplifies a will to financialize which is reducible neither to the altruistic pleasure of helping in-need populations, nor to monetary gain captured through financial intermediation (cf. Golka 2019). Samuel evinced a profound affective *satisfaction* in herding the staff and board members of a traditional nonprofit toward the orbit of private finance. Though their pace frustrated him, it simultaneously presented an enjoyable challenge for his professional identity and skills – and the social impact only sharpened, but did not fundamentally *underlie*, that pleasure. Samuel has also made three investments himself which he characterized as "impact." One involved an entrepreneur developing an app to help companies track their social value metrics. She had a PhD in information management, and had previously worked for nonprofits. Samuel was initially reluctant to invest because the entrepreneur had offered him equity (high risk, high potential return), while Samuel wanted a secured loan.

> I said to her "Look I'm not going to fund a startup, but if you want to take a loan on your house, I'll tell you what – I'll write you a creative note [the loan document]. I'll give you a low interest rate as long as you're working on the app; if you decide to end it, it goes back to market rate." And that's actually what happened. She worked on it for two years. She wound up selling the code to someone, but didn't get enough to return my loan. And now she just makes payments. She's refinancing her house and she'll pay me off. So my exit was – I wasn't looking for a big win. It was fairly low risk for me, because she had enough equity in the house.

It is notable here that Samuel did not choose to forgive the loan. He is wealthy, and the loss would not have materially impacted him. Samuel evinced no moral ambiguity telling the story; to the contrary, he was self-satisfied that the failed impact investment had not retroactively become a donation. His response exemplifies the *pleasure* of imposing financial disciplines. This is not masochism, but rather derives both from his reverence for the *risks* of entrepreneurship, however they may fall, and from exercising the white-collar skills which he had developed over his career as a capitalist. Samuel's practices count as a particular version, and vision, of financialization: not the creation of markets for social activities, but the creation of entrepreneurs out of individuals who were previously subjects of need, recipients of handouts. And a similar transformation marked his work with YMN: nonprofit managers no longer rely exclusively on donations, but are made attuned to the affordances of financial intermediation.

4. Conclusion

This article began from the consensus among researchers that social activities – conventionally the domain of governments and NGOs – are undergoing financialization, and becoming terrain for "social impact" investment. One inquiry into this transformation has focused on how social impact gets quantified and rated, allowing the underlying activities to be capitalized and traded – and, presumably, altered in the process. I have shown how this quantifying approach to appraising social impact is not suited for the domain of startup investing. One reason is pragmatic: startups have not yet produced anything to measure. The other concerns the way these early-stage investors make sense of and narrate their activity. They come to know "impact" through embodied and affective evaluation, by working directly with their investees, and within a community of peer investors. Simultaneously, however, they adhere to conventional investment techniques aimed at the growth of the business and of their own capital. This hybridizing of cultural repertoires, I have shown, interpellates individuals with diverse professional backgrounds *as* impact investors.

The independent investors described in this article deploy relatively small amounts of capital without sophisticated mathematical methods, and so may appear inconsequential in comparison to billion-dollar impact funds. But the financialization of social activities involves not only capture and redirection of monetary resources by large, institutional financial actors. I have argued that it also involves these smaller actors who, by spreading entrepreneurial disciplines, prepare new tracts of human activity for institutional investors further up the chain of intermediation. "Financialization," then, should be understood as a society-wide *process* which encompasses distinct *moments*: both those dominated by the affective modes I have analyzed, as well those based on quantitative and probabilistic techniques native to high finance, foregrounded by other scholarship. Like the history of another financial innovation, insurance, which can be told both as Swiss farmers pledging mutual support in case of loss, and as gamblers near London wharfs betting on ships' returns (Albert 1993, 87) – this article has offered, a supplementary strand in the genealogy of the emerging practice of impact investing.

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Constructing the Double Circulation of Capital and "Social Impact." An Ethnographic Study of a French Impact Investment Fund

Théo Bourgeron *

Abstract: *»Die Konstruktion der doppelten Zirkulation von Kapital und ‚sozialem Impact'. Eine ethnographische Studie über einen französischen Impact-Investitionsfond«*. Elaborating on a three-month ethnography of an impact investing fund called Impact Equity, this article aims to understand the mechanisms at work in the emergence of the impact investing sector. After presenting the case of Impact Equity (section 1), the article details the norms and devices through which impact investing is constructed in everyday financial work (sections 2 and 3) and investigates how impact investors mobilise moral beliefs and strategic motivations to navigate competing definitions of "social impact" (section 4). In doing so, this article outlines how the construction of the sector has involved the creation of channels enabling capital and "social impact" to circulate between institutional investors, impact investment funds, and "impactful businesses," and it highlights the historical tensions that this process has involved.

Keywords: Impact investing, ethnography, social impact, social value, social studies of finance, impact equity, France.

1. Introduction

Towards the end of autumn 2015, in a meeting room in a French Cistercian abbey converted into a seminar venue for companies, a "coach" specialising in the "*management libéré*" movement[1] asks Impact Equity members to sum up

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[1] The *management libéré* (liberated management) movement, inspired by French business school scholar Isaac Getz's book (2017) on the *entreprise libérée* (liberated company), promotes allegedly horizontal, non-hierarchised modes of management, which are supposedly more meaningful for employees and profitable for shareholders.

their "project" for the fund in "striking" sentences, write this on coloured post-its, and "share" with each other. To describe her vision of Impact Equity's future, Emilie, one of the partners of the fund, writes on her post-it: "*activer l'impact*." With this pun (*actif* in French means both active and asset and so *activer l'impact* suggests both activating and assetising impact) she intends to underline two projects in which Impact Equity is involved. First (activation), the activist project of transforming the companies it owns in a social direction in order to generate "social impact." Second (assetisation), the project of establishing a conversion interface between "social impact" and financial capital in order to turn impactful businesses into profitable assets. In doing so, she involuntarily reflects a tension in the sector between alternative visions of "social impact" (a philanthropic one, focused on the generation of social value through activism, and a financial one, drawing an equivalence between impact and financial capital, focusing on the assetisation of impact through market mechanisms). This article highlights how impact investors deal with such competing directions while constructing the circuits of impact and capital in their everyday financial work.

1.1 Studying the Circuits of Capital and "Social Impact"

The impact investing sector emerged in the late 2000s in the US and Europe, aiming to generate "social impact" through financial investments (Oleksiak et al. 2015; Barman 2016). There are various kinds of impact investing practices, from investments in which financial actors try to produce a positive "social impact" while engaging in profitable investments, to practices in which "social value" is defined as a financial asset that investors (for instance, public institutions) should buy in exchange for capital.

The emergence of the sector relied on the construction of new capitalistic circuits at the margins of traditional finance. As in other cases of financialisation, in which new financial circuits are created,[2] this process requires the building of the channels through which capital can circulate between capital holders and economic actors – channels involving flows of financial capital in exchange for the generation of "social impact." Taken together, these channels constitute the emerging circuit of the impact investment sector.

In the case of the impact investing sector, the circulation of financial capital requires the simultaneous circulation of "social impact." When they invest money into "impactful companies," impact investing funds seek to make these companies "generate social impact." Indeed, in order to be entrusted with capital from institutional investors, impact investment funds have to circulate the "social impact" generated by their "impactful businesses" among institutional

[2] See, for instance, Ducastel and Anseeuw (2017) on agro-financial circuits and Benquet and Bourgeron (forthcoming) on the circuits of private equity finance.

investors. This circulation is different from the circulation of cash flows: "social impact" is not an appropriable asset that can be transferred between two financial actors. Rather, it relies on accounting devices aiming to materialise social impact in such a way that each flow of capital (and each investment by an institutional investor) can be associated with the generation of a form of social impact.

The channels of the double circulation of capital and impact are constituted by a heterogeneous set of socio-technical devices – including public regulations, metrological instruments, management devices, and moral norms. Building on the influence of science and techniques studies (STS), recent works have shown how the construction of financial markets relies not only on political orientation, but also on socio-technical norms and devices (Beunza and Stark 2004; MacKenzie and Hardie 2007; MacKenzie 2008). This approach has redefined capitalist institutions by turning them into a broader "institutional assemblage" or "arrangement" that includes not only legal regulations, but also social norms and technical devices (Callon 1998; Callon and Muniesa 2005). It has also been used to understand new forms of social finance through the study of financial and management devices (Chiapello and Godefroy 2017; Barman 2020, this special issue). Impact investors are engaged in the construction of the impact investing sector as they build the norms and devices that constitute its financial channels.

Despite focusing on impact investors, this article does not ignore the institutional dimension of this process. The role of the state is particularly marked in the context of my ethnographic observation, as public authorities became heavily involved in the structuring of the sector through regulations,[3] reports,[4] and direct action.[5] However, impact investors themselves take part in this institutional construction by actively engaging in lobbying and coproducing the regulations of the sector with ministries and public agencies. They also constantly interact with public financial institutions that provide them with capital and negotiate the way capital should be distributed and social impact accounted for.

Recent literature has focused on the role of the state in the building of the sector (Wiggan 2018; Williams 2018; Golka 2019), but few works have explored the role of financiers themselves (Chiapello and Godefroy 2017; Hellman 2020, this special issue). This article therefore complements the existing literature by providing the reader with an account of how impact investors

[3] Such as the European Social Entrepreneurship Fund status (EU regulations 345-2013 and 346-2013), which gives a legal framework to impact investing funds in the EU.

[4] Such as the French Comité Français (2014) and the European Commission (2018) reports.

[5] Through public financial institutions that heavily fund the sector, such as the French Banque Publique d'Investissement, the European Investment Fund, and the British Big Society Capital funds.

become involved in the production of the socio-technical circuits that are key to the emergence of impact investing.

1.2 Competing Definitions of "Social Impact"

The emergence of the impact investing sector has engaged with a number of historical and political tensions. The construction of these circuits of capital is both a moral and a political activity (Ortiz 2013; Arjaliès et al. 2017). Indeed, in the same way that money is earmarked and framed by social meanings and norms (Zelizer 1994; Dodd 2014), these channels are embedded into social norms. The impact investing sector has relied on competing definitions of "social impact." Previous works have already noted the fragmented dimension of the impact investing field in relation to different definitions of impact and the attempts to unify these (Chiapello and Godefroy 2017). This fragmentation is organised around two main oppositions: on the one hand, an opposition between "quantitative" and "qualitative" ways of measuring impact and, on the other, opposition on the commensurability of social impact and financial return between "commensurable" and "non-commensurable" forms of impact (Barman 2016; Chiapello and Godefroy 2017). Reports on the emergence of the sector by the Rockefeller Foundation and JP Morgan (JP Morgan 2010) have included both qualitative (through the use of labels to define impact, such as Responsible Investment [RI] and Environment, Social, Governance [ESG], as shown by Barman 2016) and quantitative (through performance indicators) methods of impact evaluation, although impact was remaining incommensurable to financial return (it was not considered to be exchangeable at a determined rate against financial capital). More recently, actors such as the European Investment Fund (EIF) have promoted a definition of impact based on both quantitative evaluation and commensurability, aiming to "price social value" (Grabenwarter 2012) in order to know the financial price of a given quantity of "social impact."

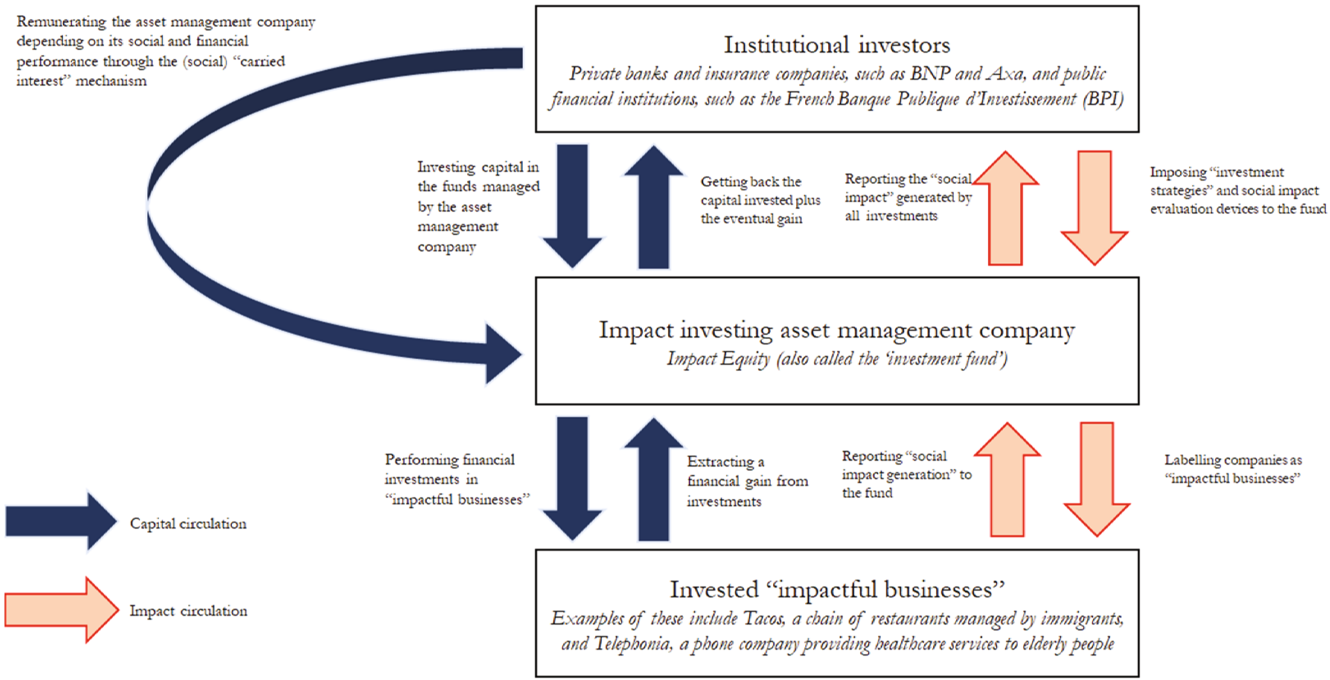
The definition of social impact interacts with the strategic and moral universe of impact investors. As they engage in the building of channels of capital and impact through the use of specific socio-technical devices, they position themselves with respect to the two broad oppositions at work in this definition. This article highlights how impact investors' moral and strategic motivations affect the way they interpret these alternative definitions of social impact and support some of them.

1.3 Argument of the Article

This article details the construction of the double circulation of capital and "social impact" in the impact investing sector. An overview of this is presented in Graph 1. The graph represents the channels through which capital is accumulated from institutional investors to investment funds, and from investment funds to "impactful businesses," before being channelled back to institutional investors. It also outlines how at each of these steps, "social impact" is circulated by each of these actors through accounting and reporting practices. Each of the arrows on the graph represents socio-technical devices that enable the distribution of cash flows and the accounting of "social impact" in the real world.

This article makes two main contributions. Firstly, after providing the reader with a quick overview of Impact Equity's case (section 2), it carefully follows the circuits of capital and social impact from the bottom to the top of Graph 1 and describes the building of channels that enable capital to circulate between, on the one hand, funds and "impactful businesses" (section 3), and, on the other hand, funds and capital holders (section 4). Secondly, it highlights the historical tensions over the definition of "social impact" that come into play in this process, as Impact Equity was pushed from its initial definition of impact (in which it was qualitative and incommensurable) to more recent definitions of impact promoted by institutional investors (who ask it to measure impact quantitatively and to make it commensurable to financial return). It emphasises how the devices that constitute the circuits of impact investing result from the heterogeneous set of moral beliefs and strategic motivations mobilised by impact investors in their exchanges with "impactful businesses" and institutional investors (section 5).

Graph 1: The Double Circulation of Capital and Impact in the Impact Investing



2. Presentation of the Empirical Material

2.1 Methodology and Data

This article is based on participant observation of a French asset management company specialising in impact investing (which I call Impact Equity – the name of the company and asset managers I observed have been changed, along with non-substantial details, to ensure anonymity). This participant observation took place during a three-month internship in the Impact Equity offices, during which time I was required to help the company in the ongoing reform of its "investment strategy" (i.e., the social and financial criteria that determine the capacity of the fund to invest in a company).

During this internship, I was able to record seven formal interviews with members of the fund,[6] discussing their previous careers, their personal understanding of their activities, and their past operations. I also attended numerous informal discussions between fund members, and between fund members and external actors, and I was able to attend several meetings with entrepreneurs, (future) competitors, and financial investors. I further participated in a two-day corporate seminar that set the new "investment strategy" of the asset management company. Finally, I was able to access most of the fund's internal documents, including the contract binding the asset management company to its financial investors and details of negotiations with investors and entrepreneurs.

2.2 The Case of Impact Equity

Impact Equity belongs to the broader "private equity" financial industry (and more specifically its "venture capital" subset, as it invests in small companies).[7] The asset management company raises money from institutional investors (such as banks, insurance companies, funds of funds, public financial institutions, pension funds, and family offices) and then invests this in private, non-listed companies that generate a financial profit and what the impact investors consider to be "social impact." It invests based on a set of financial and social criteria that are defined in the fund's "investment strategy" and translated into specific indicators during the investment process. After approximately five years, the company liquidates its investment and distributes the money from the

6 I undertook interviews with each of the six fund members except Alice, the intern (who had started her job too recently). I interviewed Partner 1 (Emilie) and Partner 2 (Jean) twice each.

7 In her thesis, Château-Terrisse (2013) also observed similar venture capital funds, focusing on the role of management devices.

sale back to the institutional investors, generally with a financial gain. Over the course of the entire investment period, the fund also reports to investors on the social impact that its "impactful businesses" have generated.

Impact Equity was managing approximately 100 million euros at the time of my observation, with a team of six[8] (see Table 1 below for a description of their social characteristics). Impact Equity was created in 2007 by the president of the fund, Henri, and Partner 1, Emilie, as an experimental asset management company. It raised its first two funds in the late 2000s and early 2010s (Impact Equity I and Impact Equity II, which amount to a combined €50m) from a set of private (mostly cooperative banks and insurance companies) and public (the French *Banque Publique d'Investissement*, BPI) investors. With these first two funds, Impact Equity was considered a small standard private equity fund with innovative social positioning. At the time of my observation, the company was raising its third fund (Impact Equity III, which amounted to €50m). As part of this, Impact Equity was hoping to get most of its capital from the large institutional investors specialising in impact investing that were emerging in the mid-2010s. It targeted the "impact" funds of funds recently set up by large banks, insurance companies, and public institutions (such as Axa's Impact Fund or the European Investment Fund's [EIF] Social Impact Accelerator).

Despite its seemingly modest size, Impact Equity was one of the first and largest French impact investing funds in its category. In 2018, the French private equity impact investing sector included 26 asset management companies (with around 700 companies), managing €1.6bn collectively (France Invest 2019). Among these, Impact Equity had achieved the most prestigious labels in the French impact investing sector. It was a leading member of France Invest's "impact investing" working group[9] and it counted the two most prestigious public financial institutions for French impact investing funds among its institutional investors: the EIF and the BPI (receiving investments from the BPI is a sign of prestige in the sector of French investment funds; Bourgeron 2019).

To locate Impact Equity in the broader impact investing environment, the fund should be distinguished from other types of actors. Within the chain of impact investment capital, Impact Equity is located below institutional investors specialising in impact, such as impact investment funds of funds (e.g., the EIF Social Impact Accelerator, Axa Impact Fund, Big Society Capital, Rockefeller Foundation) that collect money directly from savers or governments through impactful or responsible investment schemes. As seen in Graph 1, Impact Equity receives its capital from these institutional investors. It is located

8 These are referred to as "fund managers" or "fund members" in the article. Although the companies that Impact Equity has in its portfolio do have their own employees, Impact Equity relies exclusively on its six fund members.

9 France Invest is a powerful lobby for French private equity funds, studied in Benquet and Bourgeron (forthcoming).

above impactful businesses (Impact Equity invests in these businesses) and other social impact intermediaries, such as social impact auditors (e.g., KPMG's specialised branch), to which Impact Equity sometimes orders impact reports. Finally, it is distinct from impact investors focused on other kinds of assets, such as those specialising in funding listed companies, bonds, or crowdfunding opportunities (e.g., social impact exchange traded funds [ETF], social impact bonds [SIB] and crowdfunding websites).

According to its "investment strategy," defined by the mandate it signed with its institutional investors, Impact Equity invests in companies based on financial and social criteria:

1) financial criteria: it invests in "small profitable companies," i.e., companies with annual sales lower than €30m and a positive or negative but growing profit;
2) social criteria: it invests in companies that match at least one of the following three criteria:
   - "impact through activity" for companies that engage in a social activity (this includes companies providing services to poor neighbourhoods or elderly people);
   - "impact through management" for companies that are managed based on social principles (this includes companies redistributing a portion of their profits to employees or hiring people who have been unemployed long-term);
   - the "impact through exemplarity" criterion for companies whose CEO is iconic (this includes companies managed by inspirational leaders, such as people from ethnic minorities, with a disability or with an impressive personal trajectory).

The "impact through exemplarity" criterion was considered by Impact Equity's members to be the most distinctive social criterion for the fund – as it was characteristic of the fund's "brand" for institutional investors. As an example of these investments, Impact Equity has invested in a small chain of Mexican restaurants managed by two self-made businessmen who are immigrants from North Africa, and a phone company that provides elderly people with connected healthcare services.

Table 1: Biographical Details of Impact Equity Members[10]

Rank	Education	Professional trajectory	Most prestigious profession of the parents	Activist and religious activities
President (Henri)	Trained in finance	Worked in the standard private equity industry for 10 years	Company-owner	Describes himself as centre-left, with no religious background
Partner 1 (Jean)	Trained in sociology	Worked in public administration, including in the cabinet of a French ministry	High civil servant	Comes from a Catholic background; has published a political essay promoting positive action
Partner 2 (Emilie)	Trained in finance	Worked in the standard private equity industry for more than 15 years	Medical doctor, immigrated to France from a Southern European country	Has a strong Catholic engagement; has been heavily involved in the caritative sector in the past
Investment Director (Antoine)	Trained in engineering and finance	Worked in the banking industry for 2 years	Unknown, immigrated to France from Africa	Unknown religious engagement; has undertaken significant caritative activities
Associate (Francis)	Trained in finance	Worked for 1 year in a merger and acquisition (M&A) bank	Unknown, immigrated to France from Africa	Unknown; has engaged in some caritative activities in the past
Intern (Alice)	Trained in social innovation	-	Local civil servant	Describes herself as passionate about NGOs and caritative action; no religious background

[10] The six fund members of Impact Equity are organised based on their seniority. Most senior members generally specialise in interpersonal relationships (meeting entrepreneurs and finding potential targets), while junior members specialise in developing spreadsheets and indicators about targeted companies, as shown in Bourgeron (2019).

3. Investing in "Impactful" Businesses, Constructing Financialised Social Entrepreneurship

Social activities are not spontaneously "investable" activities; impact investors are involved in their transformation into financialisable companies. Focusing on the bottom part of Graph 1, this section illustrates how impact investors struggle to invest their capital in "impactful businesses" by showing how they search for investable companies and label them "impactful."

3.1 Categorising and Identifying "Impactful" Targets

Impact investors are involved in the building of the "social impact" category itself. They build the criteria defining "impactful businesses" and apply them to economic activities, framing the targeted companies in a set of judgement devices (Karpik 2010) related to impact.

When a company is labelled as an "impactful business," this refers back to criteria defined in Impact Equity's "investment strategy." This is performed through a series of procedures, which begin with the reception of "investment opportunities." Companies seeking funding (or their merger and acquisition [M&A] advisors) constantly send "opportunities" to the fund (constituting what Impact Equity members call the "deal flow") in the form of PDF documents of around ten pages that outline the main characteristics of the company and its funding needs. When the documents are received in the fund's mailbox, Alice (the intern at Impact Equity) registers the "opportunity" in an internal database, filling in numerous boxes related to it: the name and a description of the company as well as boxes called "financial criteria" and "non-financial criteria" (meaning the "impact" criteria), and then her "opinion" after this initial selection phase. Alice therefore delineates companies that will not be investigated further by Impact Equity members and companies that will be considered potentially viable "impactful businesses" (investible for an impact investing fund). With regard to the "non-financial" box, Alice can categorise each company into one of a number of groups: "none" when she finds no impact at all (she then recommends not examining the investment case); "potential impact" when she is unsure about either the categorisation of the company; and the corresponding impact criterion when an impact criterion is clearly visible (for instance, "impact through exemplarity" when she thinks the company meets the corresponding criterion of the fund defined in its "investment strategy").

In this process, the categorising of companies into two groups (investable "impactful businesses" and other companies) is grounded on the criteria of Impact Equity's "investment strategy." For instance, Alice considered that the Tacos company (a chain of Mexican restaurants that Impact Equity has invested in) matched the financial criteria of the fund (as it was a small profitable company) and two of its three social criteria: “impact through management” (as it was recruiting its employees from disadvantaged neighbourhoods) and “impact through exemplarity” (as its two co-CEOs were self-made businessmen from ethnic minorities). Later, Alice’s first judgement is discussed in the “deal flow meeting,” an important weekly meeting with all the members of the fund during which time decisions are taken regarding these investment opportunities – they engage in the negotiation and investment process as they consider whether a company matches their investment strategy.

Therefore, the labelling of a company as an investable “impactful business” depends on these criteria that mix together heterogeneous categories, metrologies, and projects for impact investing (a “bazar of rationalities”: Godechot 2000), through a bureaucratic labelling process.

3.2 Constructing and Structuring the Market of "Impactful Businesses"

To find such investable “impactful businesses,” impact investors organise the market for “impactful businesses” based on their financial needs. The impact investing sector depends on the existence of such businesses, their openness to financial investment, and their contact with impact investing funds (for instance, through the emergence of intermediaries; Bessy and Chauvin 2013). The creation and shaping of the “impactful business” product is performed to a large extent by impact investors themselves.[11]

In the course of my observation, members of Impact Equity were worrying about what they tended to consider their main problem: the lack of available “investment opportunities,” i.e., investable “impactful businesses.” To prepare for the discussions in the Impact Equity company seminar, I was allocated (along with a partner, an associate, and another intern) to an internal workshop entitled “Amplifying the Qualified Deal Flow.” Following the recommendations of this workshop, the fund developed an activist strategy focusing on corporate managers, described by Henri, the president, as the “roaming the backcountry” strategy. Applying his method, after contacting corporate managers through LinkedIn or contacts, Henri would often go to relatively remote places in the countryside to meet small-scale entrepreneurs that he had identified as interesting. These meetings were not designed to create an immediate investment opportunity, but it was hoped that “the day the manager thinks that he needs money to invest,” they would eventually get back in touch with Henri. Therefore, the asset management company disseminates its own trademark as

[11] See Cochoy and Vabre (2007) for a similar process in the corporate social responsibility market.

well as the logic of financial investment in places where it has not previously existed.

Impact investors also structure the market for “impactful businesses” by setting up networks of intermediaries. Impact Equity members decided to actively involve themselves in supporting and meeting transaction intermediaries. In particular, they got in touch with merger and acquisitions (M&A) advisors (in the case of Impact Equity, small “boutiques” or even individuals), some of whom specialised in small or “impactful” companies. They attempted to identify all the intermediaries who were active in their market by looking at those that intermediated in the transactions of their competitors and getting in touch with them. They also developed a protocol of “courtoisie” meetings with entrepreneurs: when an entrepreneur was introduced to them by an intermediary they had identified as relevant (establishing an implicit hierarchy of intermediaries), they would meet the entrepreneur, even when their corporate project did not match the fund’s criteria, in the hope that the M&A advisor would send them additional relevant investment opportunities later on. Impact Equity managers also got involved in networks of entrepreneurs as active participants and funders. For instance, Impact Equity’s president became involved in the *Vive l’entreprise!* network, which was dedicated to companies involved in the “management of liberation” movement,[12] by giving a talk at the network’s annual meeting. This involvement was understood as a way to meet the managers of companies that could potentially match the “social impact” criteria of the fund.

Finally, the construction and structuring of the “impactful business” market is also the product of an institutional arrangement. Public actors and legal norms are involved in the building of impact investing, as shown in the literature (Wiggan 2018; Golka 2019). Impact investors take an active role in the construction of these institutions. Impact Equity participated in several working groups organised by French ministries and the European Commission, aiming to define and legally frame impact investing and impactful businesses.[13] For instance, I saw Impact Equity partners attending a meeting in the office of the French *Agence Pour la Création d’Entreprise* (APCE), which was aiming to support small-scale entrepreneurs, and attending a working group at the ministry of Social Economy and Consumption. In these places, Impact Equity promoted a social entrepreneurship that was open to capital investments and external investors – in which impact investing funds played a central role.

[12] See footnote 1.

[13] For instance, it participated in developing the reports of Comité Français (2014) and the European Commission (2018) on impact investing.

3.3 Formatting Companies to "Generate Social Return"

Impact investors are further involved in making their portfolio of impactful businesses "generate social impact." The generation of impact is not limited to defining and applying "impact" categories to businesses; once a company has been categorised as "impactful," its "social impact" still needs to be objectified, materialised, extracted, and eventually made transmittable to actors external to the impactful business that "produces" it.

The generation of accountable "social impact" requires the transformation of the invested companies. This can be exemplified by the (failed) investment process of Business Academy, a company proposing to prepare undergraduate students for business schools' competitive examinations.[14] In the investment negotiation with Impact Equity, the company had no clearly defined "social impact." As a consequence, the fund members sought to create this impact by putting the company's future CEO in touch with a charity specialising in academic support, which they knew through personal networks. They thereby attempted to generate immediate "social impact" by hybridising the economic activity they wanted to buy with a charity. Similarly, Impact Equity worked with a consultant specialising in the "*management libéré*" movement. Impact Equity managers intended to turn Telephonia (a company they owned that specialised in producing phones for elderly people) into a "liberated company." This "liberation" operated both as a reality (the consultant engaged in managerial practices within Telephonia: he encouraged its CEO to create decision committees in which employees could discuss Telephonia's production processes in a non-hierarchical way[15]) and as a social impact label (considering Telephonia as a "liberated company," fund managers could apply the "impact through management" criterion of Impact Equity's "investment strategy" to the company).

Finally, the generation of accountable "social impact" requires the formatting of impactful activities through indicators. Fund managers seek to "materialise" the latent social impact of the companies in which they invest. In the case of Business Academy, this required the identification of indicators related to the social origins of the students. Francis, the associate of the fund, elaborated statistics about the number of students receiving grants (in France, grants are generally provided on social grounds, e.g., because of low parental income) within business schools and within the pool of students attempting to access

[14] The investment process finally failed, as the CEO that was expected to buyout Business Academy with the support of Impact Equity was put off by the consideration that framing Business Academy as an "impactful" company would be unappealing to students and thus negatively affect the activity of the firm.

[15] However, this committee had limited power in the case of Telephonia, as employees could not challenge the main financial decisions that had been negotiated between Impact Equity and Telephonia's CEO.

business schools. Then, Francis outlined a target (expressed as a percentage) number of such students to have access to Business Academy – either through changing the recruitment process or enabling Business Academy to provide grants (by waiving the tuition fees) to some of its students. The achievement of this target number of students receiving grants would then become a "social impact indicator," which would in turn determine the "impact" of the investment.

4. Attracting Capital from Institutional Investors, Constructing "Social Impact" and Money Circulation Devices

The emergence of impact investing requires new circuits enabling institutional investors (that collect savings and government money) to allocate it to the sector. Focusing on the top part of Graph 1, this section highlights how impact investors construct the circuits through which capital and social impact circulate between themselves and institutional investors, requiring legitimation practices and the elaboration of technical devices.

4.1 "Evangelising" Institutional Investors to Raise Capital

As Impact Equity members themselves acknowledged, impact investors are engaged in the financialisation process: as Jean told me, when setting up a new impact asset management company, they participate in "creating a new asset class." To create their own "asset class," impact investors have to develop their legitimacy to manage capital, both by recycling their legitimacy as traditional asset managers and by creating new needs for capital holders.

Impact investment fund managers accumulate legitimacy by displaying prestigious investment "track-records" (an inventory of their past operations and performances). In the context of Impact Equity, the attention given to past performance is evoked by the meeting between, on the one side, Henri (president of Impact Equity) and Emilie (partner at Impact Equity), and on the other, two women planning to launch a new impact investing fund and looking for advice. Henri and Emilie outlined how difficult it is to raise a fund for the first time: they explained that important public investors (such as the European Investment Fund) systematically refuse to participate in fundraising sessions for "asset management firms with no track-record." In a similar way, the first fund managed by Impact Equity was about to close (to be redistributed to its investors) at approximately the same time that they were trying to raise their third fund (Impact Equity III). When talking about this with an investor in the first fund, the investor explained that their ability to raise the third fund would above all be determined by the financial performance of their first: "if the IRR [internal rate of return, an indicator of financial performance] of [the first fund] is good, everything will be fine," he told them.

The construction of the impact investing sector also requires institutional investors to be morally converted to holding "social" assets. During their corporate seminar, Impact Equity managers explicitly referred to this conversion process and the way to foster it. Talking about the communication policy of Impact Equity, they agreed on the fact that, as a matter of principle, a standard investment fund should adopt the most minimalist communication policy possible. However, in the case of Impact Equity, they decided to deviate from that norm and adopt an active communication policy because "[they] still have to evangelise the market." This "evangelisation" process entails socialising with investors and trying to convince them through personal interactions: Impact Equity members aimed to attract institutional investors by frequently meeting them and organising annual meetings (the annual "investors' cocktail") with them. Impact Equity also experimented with new and popular financial devices. Evoking the project of launching a social impact bond (SIB),[16] in which the fund would participate either as a funder or as an intermediary, the members of Impact Equity remained sceptical about the financial return of such an operation. However, Emilie, a partner, asserted in a discussion that even if the SIB had a low chance of being financially profitable, they should envision it as "a kind of research and development expense." Henri, the president of the fund, added: "or even as communication expenses." Therefore, the activities of Impact Equity were designed to popularise impact investment among institutional investors.

4.2 Elaborating the Impact Fundraising "Business Model"

Impact investing actors also elaborate the formal structures that are in charge of managing capital and making it circulate. Building on the traditional formal structures of private equity funds, Impact Equity's managers tended to experiment with the form of asset management companies that allow capital to circulate, while at the same time conditioning this circulation to the generation of "social impact."

Reflecting on themselves in terms of the "business model," they attempted to find what they consider to be the optimal formal structure for operating impact investment transactions. During my observation, Impact Equity's managers studied a hypothetical alliance with a company called Philanthropia, which specialised in fundraising for charities. They studied the hypothesis of

[16] The SIB is a recent financial innovation, elaborated in the US and the UK, in which public authorities pay private funders a variable amount of money, depending on the achievement of pre-established social targets, enabling the private funder to make a profit if it successfully achieves these targets. Recent SIBs are detailed by Neyland (2017) and Tse and Warner (2018).

entering into a partnership with it in order to make their own fundraising activities easier (by attracting more philanthropic investors), thus envisioning a heterodox model compared to traditional asset management companies. Impact Equity members also planned to establish a partnership with other asset management companies that were similar to them (for instance, an investment fund specialising in education companies), in order to find "synergies" to mutualise a part of their costs (such as the rent for the office, administrative staff, accounting costs, etc.) and find co-investment opportunities on some deals (which generally require less time and involvement from both investors).

4.3 Negotiating the Legal and Metrological Mechanisms of "Social Impact"

Finally, the circulation of capital within impact investing requires the construction of legal, metrological and financial devices through which financial capital can circulate simultaneously with "social impact." In this respect, Impact Equity members are involved in negotiating the "carried-interest" device, which regulates the variable remuneration of Impact Equity's partners by institutional investors. Historically, impact investing funds such as Impact Equity are remunerated based on the "carried-interest" device used in standard private equity funds, the "2/8/20" carried-interest mechanism (Appelbaum and Batt 2014) through which the asset management company receives 2% of the overall amount of the fund (with some refinements) each year over the course of 10 years, plus 20% of the gain at the end of the period if the overall IRR of the fund is higher than 8%.

However, Impact Equity managers negotiated a new contractual device with the investors in the third fund, which formalised "impact" as commensurable to financial capital: "social carried-interest." Indeed, a new investor in the third fund (the EIF) required the implementation of a conditionality clause in the "carried-interest" device, in which the payment of the 20% performance bonus depended on the achievement of the social targets of the fund. This new device was contested by Impact Equity members, who feared that the new condition would mean they lost their personal (financial) interest in the success of the companies the fund owned. Indeed, if the social targets of the fund were not achieved, they would be no more incentivised to care about the financial performance of their invested companies, whilst the maximum amount of money they would receive if they achieved their social targets was not increased, resulting in their hostility to this new mechanism.

Through their "fundraising advisor" (a consultancy firm specialising in fundraising for asset management companies), Impact Equity's managers negotiated this "social carried-interest" device. In exchange for this new clause, they asked for a change in the numbers of the classical "2/8/20" carried-interest formula, which would take into account the particularly low financial profitability of impact investing (the formula would have become 2/6/20). They did not succeed in this request, but did gain agreement that the social condition would affect only half of the carried interest (the other half being independent from social targets).

The new contract binding Impact Equity to investors also noted the existence of a new metrological structure (the "impact committee") aiming to establish impact targets and calculate the "real" generated impact. This committee was designed as an independent third party (e.g., headed by an audit firm, although these details were not known at the time of observation) that calculated the achievement of the social objectives that condition the "social carried interest" payment. Therefore, this new device affected all aspects of Impact Equity's potential life after its third fundraising session: the fund planned to hire external consultants who would operate this committee as an "independent third party" and calculate the "social impact" generated by each company based on the standards of the emerging impact investing market.

5. Tension between Alternative Definitions of Social Impact and Devices for the Impact Investing Sector

Having shown how impact investors construct the circuits of social finance, establishing ties between their asset management companies, "impactful businesses" (section 3), and capital holders (section 4), section 5 emphasises the historical conflicts involved in this construction. Highlighting the role of impact investors' moral beliefs and strategic motivations, this section describes how Impact Equity was led to replace its originally qualitative definition of impact, considered as non-commensurable to financial return, with a definition of social impact as both quantitative and commensurable.

5.1 Contested Definitions of "Social Impact"

The evolution of impact investing in the 2010s illustrates tensions between alternative definitions of "social impact" on the two main dimensions previously discussed: impact as a non-commensurable quality of impactful businesses, and impact as a quantitative, financially commensurable asset. The opposition between these definitions is inscribed in the history of Impact Equity.

From its inception (in the late 2000s), Impact Equity marketed itself as an experimental private equity fund, aiming to achieve social return in addition to a standard financial return – clearly abiding by a qualitative, non-commensurable definition of impact. This strategy was linked to the context of the asset management company's first fundraising. At that time, most of Impact Equity's funders were private organisations (mostly banks and insurance companies) that considered their investment in Impact Equity as a relatively standard private equity investment. Impact was then considered a communication feature of funds in their relationship with institutional investors. For instance, at the beginning of the period, Impact Equity "materialised" impact through mostly qualitative criteria: it embodied "social impact" in rhetorical devices, seeking social labels, vaunting the "inspirational" aspect of portfolio companies and the "emblematic" personal trajectories of the CEOs of its invested companies, displaying pictures of them and their staff in their office and in newspapers.

However, reflecting a broader movement in the field, the composition of Impact Equity's investors changed in its third fund (mid-2010s). The company gathered funding from investors specialising in impact investing, but who considered social impact as something that should be accounted for quantitatively (reflecting a broader trend in the sector, as highlighted by Chiapello and Godefroy 2017), maximised, and increasingly made commensurable to the initial financial investment. One of these financial institutions, the EIF, funded Impact Equity as part of a broader project aiming to "structure" the impact investing sector in Europe by promoting impact envisioned as an asset. Impact was thus being seen as both quantitative and commensurable to financial return (the EIF's head of strategic development advocated the "pricing [of] social value" in a 2012 paper; Grabenwarter 2012). Consequently, the devices used to materialise "social impact" changed. New institutional investors such as the EIF asked Impact Equity to increasingly quantify its impact in order to be able to quantify the overall impact of the funds they invested in and to compare them with each other. In this approach, each new operation had to be followed by Francis, the associate of the fund, elaborating a set of *ad hoc* indicators (such as the proportion of grants provided to Business Academy students, as discussed in section 2) calculated before the buyout and updated each year during the operation.

This redefinition of social impact affected the hierarchies between impact investors as it enabled the elaboration of new benchmarking devices. Initially, Impact Equity was not evaluated by considering numbers based on its social performance – its performance was purely evaluated through the IRR financial indicator and its impact generation was considered a distinguishing "brand" for the fund. The new measurement devices, however, aimed to make impact investing asset management companies comparable in terms of social impact generation. For instance, as it required the social performance of the funds it invested in to be evaluated by an independent "impact committee" (as part of the "social carried-interest" calculation), the EIF was arguably able to calculate and compare the percentage of achievement of social targets by each of the funds it invested in.

5.2 Navigating Alternative "Social Impact" Definitions, between Moral Beliefs and Strategic Motivations

Impact Equity members navigated these conflicting definitions of "social impact." In 2015, Impact Equity attempted to reform its "investment strategy" to adapt it to the new definitions of impact that were promoted by the EIF and other specialised institutional investors in the mid-2010s. This reform took place during the corporate seminar I attended. Impact Equity's members asked themselves how they could transform their investment criteria and whether they could maintain or remove the criterion of "impact through exemplarity" that was increasingly considered too qualitative for investors.

In order to navigate these changes, Impact Equity's members mobilised both moral beliefs and strategic reasoning. During Impact Equity's corporate seminar, Henri and Emilie, the president and a partner of Impact Equity, were initially in favour of trying to conserve the qualitative criteria (in particular "impact through exemplarity") in the "investment strategy" of the fund, despite the new requirements of their investors. For seemingly moral reasons, they were reluctant to adapt their investment practice to the increasingly financially commensurable definitions of "social impact" that were promoted by the funders. Indeed, most of them saw their engagement in Impact Equity as a rupture with their previous trajectory in the financial world (see Table 1) and a way of exercising their skills "differently" in a "more meaningful" way. Working at Impact Equity was perceived as part of a broader caritative engagement for its members. In an interview, Partner 2 explained to me that he decided to join Impact Equity to "do what he does best [investing…] with a caritative scope." Emilie, a partner, expressed this more explicitly, explaining that for her working at Impact Equity was like "volunteering." The shift from the qualitative, non-financially commensurable definition of impact, to the quantitative, assetised one, provoked debates within the fund as this shift was initially felt to be opposed to the search for a more "meaningful" activity. In an interview, noting his opposition to the quantitative and commensurable definitions of impact, Partner 2 complained that "[he] has been fed [quantitative] models for 20 years," and he asserted that he did not leave the financial industry to participate in the quantitative assetisation of society in his new life at Impact Equity.

At the same time, Impact Equity managers were developing a strategic interpretation of how the new definition of impact could affect their position in the impact investing market. As social impact was redefined, Impact Equity members felt that the "brand" they had constructed through their previous strategy (largely based on the "impact through exemplarity" investment criterion) risked being devalued, resulting in the need to adopt new devices of "social impact" that were not "part of [their] DNA," such as quantitative impact measurement devices. In the discussions about whether to abandon the "impact through exemplarity" investment criterion, they were split into two main groups: those opposed to (the president of Impact Equity and Alice, the intern) and those in favour of (Partners 1 and 2) the removal of the qualitative "impact through exemplarity" investment criterion. The members of the latter group asserted that they no longer saw the point of their historical "impact through exemplarity" criterion, in particular because of the emergence of new investors; as investors require a quantitative "materialisation" of impact, the criterion seemed outdated to them. However, the president of Impact Equity considered it necessary to think about the "image" of Impact Equity for investors and the public. "We have to remember that the 'impact through the exemplarity [of the CEO]' criterion is our trademark," he asserted. According to him, if the fund removed this qualitative criterion from its impact strategy, it would lose its identity for investors and, as a consequence, a portion of its historical legitimacy as an impact investor. More strikingly, the removal of this criterion was also described by all Impact Equity members as a threat to their ability to find sufficient "qualified deal flow" – as the criterion was quite broad and enabled them to label numerous companies "impactful." Despite bringing them new investors, such as the EIF (a prestigious investor, which is why they finally decided to sacrifice the "impact through exemplarity" criterion), abiding by the new and more restrictive quantitative impact criteria would deprive them of many financially interesting investment opportunities.

Therefore, fund managers interpret the new definitions of social impact as both moral and opportunistic actors, evaluating how they can benefit from this or, on the other hand, how it could devaluate their position in the sector.

6. Conclusion

Impact investing has developed in the context of the financialisation of social policies (Dowling and Harvie 2014; Dowling 2016; Wiggan 2018; Golka 2019). This movement not only requires the creation of a favourable institutional arrangement and the supply of capital to the sector by public institutions, in which impact investors themselves actively participate. It also requires the reconfiguration of large parts of the social economy sector, on the one hand, and of the institutional investment sector, on the other, in order to make their actors adapt to impact investment.

The nature of financialised social policies thus depends on how this double circulation is constructed. It depends on the tensions between actors with regard to the definition of "social impact" (with two oppositions between quantitative/qualitative and commensurable/non-commensurable definitions) and the devices that constitute its channels. By showing the role of moral beliefs and strategic motivations (the quantitative turn being, for instance, curbed by impact investors' fears of not finding enough corresponding investable "impactful businesses") in this construction, this article outlines the social processes at work in shaping the channels through which capital and "social impact" are conveyed.

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Did You Say "Social Impact"? Welfare Transformations, Networks of Expertise, and the Financialization of Italian Welfare

Davide Caselli *

Abstract: *»Haben Sie ‚social impact' gesagt? Wohlfahrtstransformationen, Kompetenznetzwerke und die Finanzialisierung der italienischen Wohlfahrt«*. The article contributes to research on the role of expertise in shaping the transformations of welfare states. Looking at the Italian welfare state as a case study, it analyses the different networks of expertise that have developed along the transformations of Italian welfare in the last 30 years: from the rise of Welfare Mix (a combination of quasi-market of social services and participatory social planning at the local scale) in the 1990s, up to its crisis, and through the current tendency toward its financialization. The article analyses the diffusion of the discourse and practice of Social Impact Investing (SII) in Italy and, in particular, it focuses on the elaboration of a new measurement tool aimed at measuring the "social impact" of non-profit organizations. In doing so, the article shows that different networks of expertise, developed in different phases of welfare transformations, co-exist and converge on the idea that "social impact matters," but differ and conflict around how "social impact" should be defined and measured. The prevailing of a network rooted in the Welfare Mix has slowed the penetration of SII, but also reinforced the fragmentation of the field.

Keywords: Financialization, expertise, welfare state, social impact, metrics, welfare state transformation, Italy.

1. Introduction

The present article examines the role of expertise in the transformation of the welfare state in Italy, with particular focus on the sector of social assistance and on the current tendency toward its financialization. The article contributes to the debate in three respects. First, by means of an overview of the three-decade transformation of Italian welfare state, it offers an account of the historical trajectory which provided a context in which the discourse, the infrastructure, and the practice of Social Impact Investing (SII) could develop, i.e., the ecolog-

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ical conditions for the emergence of the expertise on financialization of Welfare. Second, focusing on the process of elaboration of a specific tool for assessing the *social impact* of Italian social enterprises, the article accounts for the conflicts and negotiations that such processes may engender in the field of welfare expertise and it therefore contributes to the understanding of the social dimension of metrics and measures (Barman 2015; Chiapello and Godefroy 2017). Third, by showing the articulation of the Italian impact economy involved in the elaboration of tools for social impact measurement, it shows the coherence of the Italian case with other national contexts characterised by fragmentation of impact metrics (ibid.).

The argument will be presented following a chronological periodization based on three phases: the rise of Welfare Mix (1991-2007), its crisis (2008-2013), and its financialization (from 2014-2019; see Tab.1). The periodisation is not meant to suggest a linear evolution according to which, decade after decade, existing social policy configurations are substituted by new ones expressing and/or instituting different structures. What is rather at stake is 1) to account for the tentative and contradictory transition from one arrangement to the other, where the heritage of previous models shapes the way the new ones work and 2) to show the role of expertise in these transitions.

A clarification is needed about the terms *financialization* and *expertise*. First, following Gerald A. Epstein's comprehensive study of financialization in international political economy (Epstein 2005, 3), I qualify the financialization of welfare as the increasing role of financial motives, financial markets, financial actors, and financial institutions within contemporary welfare systems and I consider the promotion of SII in Italy as part of the tendency toward the financialization of national welfare state.[1] Second, this article conceptualizes *expertise* as a "network connecting not only the putative experts but also other actors, including clients and patients, devices and instruments, concepts, and institutional and spatial arrangements" (Eyal 2013, 873). Elaborated by Gil Eyal in his proposal for a "sociology of expertise," this definition builds on Foucaultian and Actor-Network categories to highlight the ecological conditions, networks, and mechanisms that allow specific problems and tasks to emerge and become acknowledged as objects of expert intervention. This approach regards expert statements and performances as "historical events," whose conditions of possibility must be interrogated. These conditions of possibility depend upon strategies of generosity and co-production of professional and non-professional actors of the field, partially blurring the boundary between the two. Moreover, *expertise* does not only designate a number of human, individual or collective, actors but also concepts, tools, and devices through which problems and tasks can be conceived, formulated, and per-

[1] For a more articulated discussion of this interpretation, see Caselli and Rucco 2018 and Casell and Dagnes 2018. For an opposite perspective, see Pasi (ed.) 2017.

formed. As a consequence, the study of expertise needs to focus on the networks and alliances between different actors and to pay attention to the cognitive processes and the technical tools that participate to the process. As Eyal writes, "this complex make-up of expertise is typically much more evident when it is still "in the making" and alternative devices, actors, concepts, and arrangements are still viable candidates for formulating the problem or addressing it" (ibid., 871). Once institutionalised and black-boxed, expertise acquires a neutral and natural appearance that leaves in the shadow the complex mechanisms that allowed its formation, and which determine the way in which it operates.

Eyal's approach shares an important feature with the sociological/academic literature on SII and financialization of welfare, which attributes major importance to the work of a coalition of experts and consultants investing their professional skills in the long-term transformation of the non-profit sector along the lines of the for-profit sector and in the financialization of public policies (Barman 2016; Morley 2016; Williams 2017; Chiapello 2019). Building on the history and sociology of accounting, financialization scholars emphasize the link between funding circuits and mechanisms on the one hand and specific forms of accounting and measurement on the other. In this view, expertise is crucial for the "work of financialization": the manipulation and restructuring of values, ideas, and practices of a specific social realm and their reconfiguration into new cognitive and operational frames, consistent with the values and interests of financial investors (Barman 2015; Chiapello and Godefroy 2017; Williams 2017; Chiapello 2019). This activity results in a tension between convergence on shared conceptions and tools among the different actors of a field and complex and uncertain power relations, tensions, and conflicts in which experts and expertise are involved (Eyal 2013; Williams 2017). This tension may lead to the dominance of economic and financial values in sectors which were before governed by different value or to the formation of "concerned markets" (Geiger et al. 2014), i.e., markets incorporating different kinds of value (in the case of Welfare and SII: financial and social value), based on a "compromise" between the different values and logics (Barman 2015).

The elaboration of social impact metrics will be regarded as an example of the formulation of new problems and tasks, entailing the building of a network of human and non-human actors, i.e., as an example of expertise in-the-making. The article will capture the dynamic dimension of this formulation by showing that different and alternative networks of expertise formulated different problems and tasks and conflicted for being recognized as legitimate policy actors.

The article draws upon three types of sources: 1) observations and field-notes of public and semi-public debates and meetings organised by public and private institutions from 2013 to 2017 on the restructuring of Italian welfare; 2) the analysis of official documents and websites of major funding and consulting institutions involved in this debate, including scientific, semi-scientific writings (non-academic research reports, papers, and position papers) and non-scientific pieces (newsletter articles and public statements by stakeholders, as well as policy-oriented reports and recommendations); 3) Twenty in-depth interviews with researchers and heads of public and private consulting institutions, closely involved in local and national debate son the restructuring of welfare.[2]

2. Taking a Step Back: The Rise and Crisis of the Welfare Mix, Or, the Ground for the Financialization of Welfare

This section is aimed at providing an historical perspective on the evolution of the role of expertise in the evolution of the Italian welfare state, especially in the field of local welfare, as shown in Table 1.[3]

Table 1: Co-Evolution of Welfare Mix Services and Expertise in Italy

	1991-2007	2008-2013	2014-2019
Welfare Policy			
Policy-Making Actors	Public and non-profit private (associations, social cooperatives, foundations of banking origin)	Public and private (associations, social cooperatives, foundations of banking origin, private firms)	Public and private (associations, social cooperatives, foundations of Banking Origin, industrial firms, social enterprises, venture capital firms)
Public-Private Relations	Supply-driven privatisation	Supply-driven privatisation + demand-driven privatisation	Supply-driven privatisation + demand-driven privatisation + investment contracts
Trend in Public Funding	Growing	Declining	Declining

2 The interviewees have been selected according to positional and reputational criteria: after a first round of interviews to researchers involved in the evaluation of local social innovation programs, a second and a third round of interviews took place with professionals identified by the first-round interviewees and by myself according to their position in the most cited and most active research and consulting institutions nation-wide.

3 Each period, and the first one especially, is very complex and articulated. For accurate discussion of each period, see Sections 1 and 2. The representation of the period 2014-2019, involving the most recent developments, is clearly the more tentative and prospective.

	1991-2007	2008-2013	2014-2019
Welfare expertise			
Tasks of Expertise	Training, monitoring, evaluation, planning (bottom-up)	Training, monitoring, evaluation, planning (bottom up vs. top-down) + building non-profit/for profit partnerships	Training, monitoring, evaluation, planning (bottom up vs. top-down) + building non-profit/for profit partnerships + social impact design and assessment
Expertise Background	Psycho-sociology Urban planning Economics	Psycho-sociology Urban planning Economics	Psycho-sociology Urban planning Economics Finance
Object of Public Mechanisms of Control	Financial reporting + process/quality reporting	Financial reporting + process/ quality reporting	Financial reporting + process/ quality reporting + social impact measurement

2.1 1991-2007: "Empowering the Clients." The Rise of the Welfare Mix

According to the comparative literature in sociology and political science, the Italian welfare state fits into the South-European welfare model, characterised by a mixed paradigm based on universalism in education and healthcare, corporatism in the pension system, and unemployment policies and a poor development of social assistance (Ferrera 1996; Ascoli and Pavolini 2015). Since the 1990s, it has undergone major transformations, in line with a European trend of welfare crisis and welfare reforms. Different waves of reform have acted on almost all welfare sectors, from pensions to healthcare, from education to labor market and social assistance, following a path of welfare retrenchment and expanding role of the non-profit organizations (NPOs) in planning and delivering social policies (Ascoli and Pavolini 2015). The momentum of welfare reforms was attained in the year 2000 with the Law 328/00, the first comprehensive legislation on social assistance since 1890. The law institutionalized a welfare mix system, based upon the combination of a quasi-market of social services and a system of participatory social planning at the local scale (Evers and Svetlink 1993; Ascoli and Ranci 2002).

Quasi-markets are markets where "the provision of a service is undertaken by competitive providers as in pure markets, but where the purchasers of the service are financed from resources provided by the State instead of from their own private resources" (Le Grand 2002, 80). To be more precise, the competing providers often include NPOs, the resources may be "centralised in a purchasing agency or allocated to users in the form of vouchers rather than cash," and the purchaser does not necessarily act in the market personally, but may be represented by agents (such as care managers; Le Grand and Bartlett 1993, 10). The law 328/00 introduced the quasi-market of social services through the split between the financing of social services (covered 80% by the local administrations and 20% by the central state) and their production and delivery (operated by private, mostly non-profit actors). Such division of functions has been regulated by the State and mainly implemented through the practice of sub-contracting and accrediting, according to a pattern of *supply-driven privatization* (Ascoli and Ranci 2002; Burgalassi and Melchiorre 2014; Bifulco 2015). In this context, the non-profit sector emerged as the key actor of the welfare system, supported by the State and, to a minor extent, by Foundations of Banking Origin (FBOs), a hybrid actor developed in the ’90s out of the privatization of Italy’s public banking sector (Cerri 2003; Marcon 2004; Barbetta 2013).

Beside this quasi-market, the law 328/00 introduced an important shift in the governance of local welfare, namely the Piano di Zona (Zone Planning), a form of participatory social planning gathering the main public and private actors with the aim of defining the strategies for local welfare systems.

Within such institutional arrangement, from 2000 onwards, both local government and non-profit organizations faced new problems and required new tasks to be performed. This offered the context – in Eyal’s terms, the ecological conditions – for the development of two networks of expertise operating in the overlapping fields of local governance and non-profit development.

More specifically, the first network was characterised by the activity of small- and medium-size consulting institutions, commissioned by the public administration, FBOs, and NPOs. It developed by helping local governments in new functions such as regulating the quasi-market, coordinating the participatory processes of the Piano di Zona, building and evaluating new programs to be realized by non-profits, and contributing to planning and evaluation of social programs and projects. At the same time, they were often commissioned by NPOs for supporting them in dealing with the increasingly complicated bidding mechanisms and accounting systems imposed by national and European public institutions and FBOs, in monitoring complex multi-year projects, and in managing fast and complex organizational growth. Moreover, NPOs also had to learn to formulate and implement more and more articulated projects, and to train their staff according to fast-changing policy ideas and institutionalized professional skills. Therefore, this network derived legitimacy from its ability to cope with the high degree of openness of the policy process (from government to governance logic) and its complexity (integration of different policy sectors, actors, and scales) and functions such as coordination, evaluation and following up became crucial (ibid.). As a consequence, techniques and tools such as action-research, research-training and evaluation became crucial for the development of the system. Evaluation, in particular, developed with the aim of supporting processes of *learning-by-experience* on behalf of social workers and organizations, building shared visions among the different stakeholders of local welfare systems, and defining and monitoring the quality of sub-contracted social work (De Ambrogio and Sordelli 2014).[4] This network of expertise was rooted in the disciplinary area of psycho-sociology (Barus-Michel et al. 2013) and it was inspired by the model of "process consultation" (Schein 1969). According to this approach, based on a mix of soft (processual) and hard (sectorial) competencies, experts are meant to help clients to better define the problem they need to solve, to reach a shared view of its solution and to monitor the actions undertaken for putting the solution in practice, rather than to possess definitive knowledge on particular issues and give straightforward and standardized responses (De Ambrogio and Sordelli 2014). In the words of the head of one of the dominant welfare consulting institutions:

> Welfare used to be characterized by the interaction, on the one hand, between "the poor" asking for help and the social worker delivering the service, and on the other hand, between the policy maker looking for certain knowledge or data, and the consultant providing it. Now it is less and less the case. Both social workers and consultants work for the empowerment of their clients. (Interview, June 2014)

Within this context, a second network of expertise developed with the more specific aim of supporting NPOs in playing their increasingly central role in the planning and implementation of social policies. It was promoted by partnerships between NPOs, FBOs, and academic research centers, mostly based in departments of economics, and it was dominated by economists, Law professors, and economic sociologists devoted to the study and the promotion of cooperative economy according to the perspective of "civil economy" (Bruni and Zamagni 2017). This network played a crucial role in supporting NPOs evolution both at the macro and micro level: at the macro level, it developed comparative international research on the cooperative economy and played an important consulting role for the EU institutions; at the micro-level it offered business planning, consulting, and training services for NPOs and non-profit second level organizations (Euricse 2010).

Together, these two networks allowed the welfare mix to emerge and consolidate through the combination of quasi-market and local social planning in an incremental, two-decade, process.

[4] From the 1990s onwards, in line with a European trends, public policy evaluation becomes a key element of the modernization of Public Administration and, in the field of Welfare, it has been included in almost all programs and projects funded by public and private institutions. The quantitative and qualitative relevance that this emerging professional group was gaining is witnessed by the establishment, in 1997, of the Italian Association of Evaluation (AIV).

2.2 2008-2013: "The Planner Defines the Object and the Process." The Welfare Mix in Crisis

Since 2008, the welfare mix system has been subject to budget cuts and re-regulation, in a context of dramatic fiscal and political crisis. Austerity measures were implemented by governments following a European Commission agenda, including cuts to social services and the recentralization of financial responsibility from the local to the central state (Burgalassi and Melchiorre 2014; Conferenza delle Regioni e delle Province autonome 2014; Polizzi and Tajani 2015; Martinelli, Anttonen, and Matzke 2017). As a result, local governments increased the outsourcing of public services to NPOs at all-time low bids, with many residents excluded from access to local public welfare (Gori et al. 2014) – even as the population living under the poverty line in Italy doubled (Istat 2018). Furthermore, under the pressure of growing social needs and decreasing financial resources, many local governments also dismissed the social planning promoted through Piano di Zona in favour of more immediate emergency measures.

While the welfare mix institutionalized in the early 2000s relied upon a quasi-market where the state purchased services from private, mainly non-profit, providers, and local social planning represented a new governance tool including public and non-profit actors, a different model has emerged since 2009. Facing cuts in public funding for local social services, providers have started competing for attracting private partners while citizens have been partly transformed into purchasers (Giovannetti, Gori, and Pacini 2014; Caselli 2016). Moreover, two issues became crucial in the debate on welfare policies: the need for new sources of funding for welfare policies and the need for NPOs to strengthen their financial autonomy from the public administration. Local government and private foundations started dealing with these issues using different incentives:

1) reforms of local welfare systems that increased the fees of public services and/or promoted private welfare markets (Fosti 2013).
2) reforms of local welfare based on New Public Governance principles, with the State as mere facilitator of trust and networks among private actors (Osborne 2006; Pestoff, Brandsen, and Verschuere 2012; see Fosti 2013 and Gori 2013 for the Italian context).
3) *co-funding* mechanisms by which NPOs are asked to share the cost of the programs which they are contracted to operate (De Ambrogio and Guidetti 2014; Caselli 2016).
4) local "community welfare" and "social innovation" programs, strongly promoting the cross-contamination of non-profit and for-profit logics and activity (Fondazione Cariplo 2017)

At the international level, the trend toward stronger entrepreneurialism by the non-profit sector was strengthened by the European Commission with the launch of the Social Business Initiative (European Commission 2011).

These initiatives have been supported not only by economic justifications, but also by the re-framing of both the welfare state and the non-profit sector as terrains for potential win-win arrangements between for-profit and non-profit actors (Caselli 2016). In this perspective, private actors, especially FBOs, promoted new knowledge brands, among which *second welfare*, i.e., the ensemble of non-public welfare initiatives, from philanthropy to pension funds (Maino and Ferrera 2013) and *hybrid organizations*, i.e. a new genre of enterprise blending capitalist and cooperative models (Venturi and Zandonai 2014) are the most significant.

In this context, the networks of expertise developed during the rising phase of the welfare mix have suffered the cuts in national and local funding, with their stability undermined. In other words, the crisis of Welfare Mix precipitated a crisis in the major networks of expertise associated with it and pushed them to seek a re-arrangement in order to face this new situation. The first network, deeply rooted in the institutional structure of the welfare mix, was especially hit and responded with a two-fold strategy: first, defending the legitimacy of its financial bases, i.e., the primacy of public funding, denouncing the idea of NPOs being the future entrepreneurial co-funder of public policy as an "illusion" (De Ambrogio and Guidetti 2014). Second, seeking new allies and new arrangement among its actors, as the head of a major consulting firm states:

> A: Now we look for clients among foundations of banking origin, non-profit consortia or through EU projects in which we work with these [non-profit organization that are] former clients that have now become partners. […] This can make the whole system look a bit like Alice in Wonderland's cricket match, that is a very dynamic system whose borders are really blurred… and you may not even have a clear attribution of the roles because the distinction among them is really soft.
>
> Q: This also means that there is no one looking at the process from the outside?
>
> A: Exactly, we are all part of a system (Interview, June 2014)

Here, the reduction in the quantity of resources has immediate effects in quality, with increasing importance of new funding circuits (FBOs and European Union rather than local social policies) and with the shift in the relation between non-profits and consultancy firm "from clients to partners." This shift in the nature of the relation between consultancy and third sector organizations, together with shrinking public funding, transforms the nature of the consultancy itself: the network of expertise (a network of experts, concepts, and technical tools) is more strongly tied together. The fact that clients become partners and "everybody is part of the system" redefines the borders between experts and other actors; overlapping, integration, and possible confusion among different roles seems to characterise this strategy for facing the crisis of the welfare mix.

This strategy is challenged by a different expertise, based on different actors, concepts, and devices and putting together two distinct networks. On the one hand, the above-mentioned expertise developed since the 1990s through partnerships between the non-profit sector and academic departments of economics; on the other hand, a group of academics and professionals trained in urban planning and urban regeneration who have operated in experimental programs at the neighbourhood scale since the mid-1990s and who have been involved since 2008 in local *social cohesion* and *social innovation* programs (see above). In a context characterised by cuts to public budgets for welfare and demand for new funding sources and increasing financial autonomy of NPOs, this network challenged the dominant one in two respects. First, with respect to welfare paradigms and funding schemes, the new network of expertise, often less integrated in the welfare mix and its quasi-market arrangement, tends to promote the development of hybrid non-profit/for-profit models and public-private partnerships as a natural evolution of the crisis of the welfare mix. In this view, urban regeneration may be the field where a more general paradigm shift for the innovation public policies can be experimented (Cottino and Zandonai 2012).

In consequence, and contrary to the evolution of the dominant network, this network pursues the reinstatement of clear boundaries between experts and clients, with the expert taking a more authoritative and leading role. In the words of an influential consultant:

> I see two different roles emerging more and more clearly: on the one hand the planner, and on the other the organisation on the terrain. Of course, they must speak to each other, but they are completely different. The planner leads the first phase, defining the object and the process at stake. […] This is because projects have to work on complex representations of reality – social cohesion, culture, now resilience, too. And this is not the traditional approach of the non-profit. […] In the second phase it is the organization on the terrain leading. In this phase we limit ourselves to strategic supervision, for them not to lose their goal. (Interview, October 2014)

We are far from Alice in Wonderland's cricket match. The roles are quite clearly defined and also hierarchically ordered: expert planning and design play the role of "elaborating complex representations of reality," thus contributing to establish new frames for welfare policies and social work and to strengthen new networks of expertise. Top-down planning and design skills replace the *learning by experience* approach that characterised the welfare mix, while social workers' technical knowledge is secondary and instrumental.

This second network of expertise had limited impact on the welfare system as a whole. However, it helped to lay the foundations for broadening of the institutional arrangements of welfare inherited from the 1990s. In particular, the quest for new private sources of funding for social policy and the consequent transformation of welfare expertise, both in terms of technical knowledge and in terms of the division and integration of roles with the NPOs, will continue to animate the debate on the future of Italian welfare state, as the next section will show.

3. The Financialization of the Welfare Mix (2014-2019)

From 2014 onwards, two important initiatives developed for facing the problem of the financial sustainability of the Italian welfare state and the diversification of funding sources of NPOs: the work of the G8 Task Force on SII and the national reform of the non-profit sector. As we shall see, the two initiatives proceeded independently, but overlapped in the effort to encourage the diffusion of social impact measurement among NPOs, making social impact a new problem for welfare actors and social impact measurement a new key task for any network of expertise operating in welfare policies.

3.1 2014-2016: "Provide Some Basic Definition for Social Impact Measurement." The Emergence of the Italian Impact Economy

The G8 Task Force on SII, launched under the British presidency in 2013, aimed to spread among member states the idea and the practice of SII – "harnessing the power of entrepreneurship, innovation and capital for the public good" through the implementation of a number of innovative funding schemes and mechanisms. The initiative convened government officials and figures from finance, business, and philanthropy and promoted SII as a key tool for the innovation of welfare systems and as a driver for the booming of a new wave of non-profit and for-profit "social entrepreneurship" (G8 Task Force 2014). In 2014, the task force released a final report which emphasized the necessity for governments to "adapt national ecosystems to support impact investment," and to adopt metrics for impact measurement to streamline "pay-for-success arrangements," i.e., privately-funded programs that subordinate the repayment and remuneration of the invested capital to the success of the funded program. Moreover, the report encouraged the establishment of "capacity building grant programs" in order to "boost social sector organisational capacity" for attracting and managing venture capital (G8 Task Force 2015). To achieve this, the Task Force recommended that the Italian government: (a) provides some basic definition, principles, and guidelines for social impact measurement; (b) promotes social impact measurement at the European level via the creation of an online platform including a database of "good practices"; and (c) creates a G7 Commission for "regularly verifying member States development of the G8TF agenda" (ibid., 78). Therefore, SII brings together two important approaches to public policy: evidence-based policy making and pay-by-result schemes. Evidence-based policy-making has been promoted since the 1990s by major international policy-making actors for its alleged ability to overcome "abstract" and "ideological" debates about principles and goals in favor of clear quantitative and measurable targets and methods (OECD 2014). In this perspective, policy-makers can learn from the results of past programs, invest in effective policies, and abandon ineffective ones. In the case of SII, this general frame is strengthened by *pay-by-result* schemes which pose the eventual measurable positive "impact" of funded programs as a crucial condition for the determination of the rate, if any, of capital remuneration.

In the following years, a support coalition emerged, composed of financial and legal consultants with strong links to the SII academic and policy community, private banks and foundations, foundations of banking origins, social cooperatives consortia, and a growing number of members of parliament. In January 2016, these actors founded an association named *Social Impact Agenda for Italy* with the aim of "spreading the experience of social impact investing" and "aggregate all the actors involved in the challenge of SII" (Social Impact Agenda 2016). As a result of such growing support for Social Impact Investing, the reform of non-profit sector voted by the Italian Parliament in May 2016, converged on the effort of the G8 task force to develop social impact metrics through the introduction of two norms: 1) the instituting of a "low profit" regime for non-profit organizations, allowing partial remuneration of invested capital (Chiodo and Gerli 2017; Caselli and Rucco 2018) and 2) the introduction of social impact measurement as a key element for the legal recognition of social enterprises. The law offered a general definition of social impact as "the quantitative and qualitative evaluation of the short-, medium-, and long- term effects of the [organizations'] activities on communities, with respect to an explicit goal" (Law 106/2016, Articles 4 and 7). Social impact measurement has thus become a fundamental tool for the evolution of the Italian non-profit sector.

As I have shown in the preceeding sections, the rising and the declining phases of the welfare mix emerged together with new networks of expertise, aimed at formulating new problems to be solved and tasks to be performed by the actors of the field. In particular, I showed the tensions emerging from 2008 onwards between two networks of expertise with respect to new potential funding circuits and the hierarchical relation between experts and clients (section 1.2). In the remainder of the article, I will show the development of a third network of expertise, emerging together with the tendencies to the financialization of the Italian welfare and focusing in particular on the elaboration of social impact metrics for Italian social enterprises. This process offers a good entry point for observing the evolution of the tensions originated by the crisis of the welfare mix. Indeed, bringing together evidence-based policy making and pay-by-result schemes, SII seems to push for the adoption of strong quantitative and standardized evaluation methods and metrics (Williams 2017), increasing the legitimation of evaluation tools deployed by a small number of international organizations based on "delocalized" forms of knowledge (Busso 2015). In this perspective, SII and its network of expertise seem to have the potential to favour the consolidation of the network of expertise emerging from the crisis of the welfare mix, based on different forms of public-private partnerships and an authoritative model of planning and evaluation (see section 1.2). In the next section, the analysis of the elaboration of social impact metrics in the Italian context after the reform of the non-profit approved by the Parliament in 2016 will show more complex developments.

3.2 2017-2019: "The Problem of Impact Measurement Does Not Exist." VIS: the Italian Way towards Social Impact Evaluation

In March 2017, in order to specify the general definition of social impact offered by Law 106/2016, the Ministry of Work and Social Policy appointed a commission to elaborate guidelines for "social reporting and social impact measurement." Before analysing its work, it is important to recall the fact that since 2014, the debate on social impact measurement had considerably developed in Italy due to the work of a several, quite diverse, actors: an "impact economy" including the different "forms of intermediation […] at play in the effort to create a market in social services" (Williams 2017, 12). The variety of their approaches was high – "from those refusing the very idea of measuring […] up to those speculating about the use of big data and artificial intelligence" (Bengo and Caloni 2015) – and generated significant tensions among the different actors for being recognized as legitimate experts in the field (Depedri 2017). More specifically, six institutions were, and still are, at the core of the Italian impact economy and notably none of them belongs to the network of expertise that dominated the rising phase of the welfare mix, which institutions, individual consultants, and technical tools have found no space in the post-2014 debate on social impact measurement. On the contrary, the landscape is dominated by two other networks[5]: on the one hand, the network developed during the 1990s through the alliance between some academic departments of Economics and the non-profit sector (see 1.1 and 1.2). In this phase, the alliance with urban plannners that characterised the preceeding phase become less important and this expertise strongly advocates for a quantitative-qualitative method-mix primarily aiming at enhancing NPOs' accountability towards the public administrations and the local communities.[6] Measurement tools fit for

[5] These networks are articulated and complex: a closer analysis; which goes beyond the scope of the present article, would reveal important tensions within each of them.

[6] Euricse (University of Trento) <www.euricse.eu>; Aiccon (University of Bologna) <http://www.aiccon.it>.

both social reporting and impact measurement have been developed and experimented and formed an important non-human actor of this network (Zamagni et al. 2015; Depedri 2017). On the other hand, a more recent network emerged that developed from 2014 onwards, largely coincident with the coalition that founded *Social Impact Agenda for Italy.* Within this network, four institutions deserve special attention: two recently founded private foundations,[7] a recently-founded academic research lab focused on social innovation and SII,[8] and a research center based in a prominent private university since the 1990s specialised in corporate social responsibility.[9] In the years 2015-2017, these actors built a new network of expertise, promoting the "disruptive innovation" of the non-profit sector (Calderini and Chiodo 2014).[10] More specifically, this network is characterised by the promotion of metrics expressing synthetic and easily convertible indexes of social impact, such as SROI (Fondazione Sacra Famiglia 2017), or fit to the experimentation of mainstream pay-by-result programs, such as the counterfactual evaluation schemes that were elaborated for the feasibility study for the first Social Impact Bond in Italy (Fondazione Sviluppo e Crescita CRT, Human Foundation 2016).[11]

The commission indeed started its work in this articulated scenario and was formed by 34 members "representing the different vital worlds of the non-profit sector: social cooperatives, second level organizations, voluntary organizations, foundations" (Chair of the Commission, Interview, March 2018). Researchers from a number of research and consulting centers from both the above-mentioned networks participated in it. In forming the commission, the Government recognized indeed a leading to the network of expertise embedded into the non-profit sector, as it is clear from the fact that the chair of the commission was the scientific director of one of its two major research centers.[12]

After one year of work, the Commission elaborated the guidelines of a new impact measurement tool, named VIS (Valutazione Impatto Sociale, i.e., Social

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7 Human Foundation, <www.humanfoundation.it>; and Lang Foundation, <www.fondazionelangitalia.it>.

8 Tiresia Lab (Politecnico di Milano), <www.tiresia.polimi.it>.

9 Altis (Università Cattolica di Milano), <https://altis.unicatt.it>.

10 In December 2015, this network formed the Italian section of the international association Social Value, with the aim to "promote the culture and the practice of social value among major public, business, and non-profit actors in Italy" (<http://www.socialvalueitalia.it/wp-content/uploads/2018/05/Kit_SvIta_2018_rev030518.pdf>).

11 The first Italian SIB has been planned in the field of re-offending prevention. However, two years after the release of the feasibility study, it has not been implemented yet and no clear information is available on its advancement at the moment of writing.

12 In 2010, as president of the National Agency for Non Profit (an agency depending from the Prime Minister Cabinet Office), the chair commissioned to ALTIS (see above) the elaboration of the *Guidelines for non-profit Social Reporting*, the major existing framework for non-profits social reporting (Agenzia per le Onlus 2010). In March 2019 he was appointed Dean of the Pontifical Academy of Social Sciences.

Impact Evaluation), and proposed it to the government, which finally adopted it in July 2019 (Ministero del Lavoro e delle Politiche Sociali 2019).

According to VIS guidelines, VIS will be mandatory only to "the organizations competing for public bids at the national and international level, which are generally already required to deliver social impact evaluations" (Zamagni 2018).

Furthermore, VIS is a tool for self-evaluation rather than a way of imposing external and standardized metrics on NPOs: according to several statements by the chair of the commission, the "metrics will be chosen by the organizations in order to be consistent with the goals it pursues" (Zamagni 2018). As the chair of the Commission puts it:

> We had many meetings and I was chairing them [...] by the end of the process we reached a dialectic consensus. The main divide was between those advocating for the evaluation and those against it [...] and then there were different views on how to get to the metrics. And we agreed on not imposing a single metrics. There was people pushing for the adoption of the SROI, others advocating for the counterfactual [...] But that is not possible. Such metrics cannot be used by all the organizations. (Interview, March 2018)

The model of evaluation advanced in the VIS is therefore at odds with the model of impersonal, standardized, and top-down model of expert-client relation that ideally characterized the combination of evidence-based policy making with pay-by result schemes (see 2.1). Rather, it echoes the hegemonic model elaborated in the 1990s employed by NPOs for the sake of bottom-up, processual *learning-by-experience* (see 1.1). With regard to the funding circuits it allows to access, VIS is presented by the commission as a tool for community accountability, fundraising, and for bettering the access of NPOs to loans from the banks:

> A: Here, measurement comes first, I mean it comes before the relation with financial institutions. Let me explain: If I am a bank and you come and ask for credit, together with financial and legal informations, I will ask you your VIS too.
>
> Q: So, VIS may have consequences in the sector of credit, not in terms of attraction of investments.
>
> A: That's all about access to credit. If you talk about Social Impact Investment, you go beyond the non-profit sector, you include capitalist enterprises too – but that was not our case. That's a completely different discourse, we did not focus on that. Not at all! (ibid.)

VIS is therefore a tool allowing banking institutions to include NPOs' "social impact" in their credit policy (positive screening), rather than a tool for the implementation of pay-by-result schemes.

As the Chair of the commission stated, contrasting views and interests regarding impact measurement emerged. Two different points of view on the decentralised and self-managed nature of VIS help making sense of this diversity and of the tensions it engendered. According to the chair of the commission, the new metrics provokes the non-profits to reach a deeper understanding of their activity:

> Many discuss about the problem of the metrics but it is a false problem. The problem does not exist. Our text states clearly that every non-profit organization must create its own metrics. It does not impose a single one. Organizations are forced to evaluate and report their social impact, but they have the freedom to decide how to do it. […] It was deliberate, my message to the organizations is: you have to work hard and think well. You have to study! Not just follow somebody else's metrics. (Interview, March 2018)

A different point of view is expressed by another participant to the commission. Academic professor of Social Innovation and prominent economic consultant at the national level, he has been a member of the Italian advisory board at the G8 task force before and was promoted *Social Impact Agenda for Italy* later. As a leading figure of the network of expertise that emerged after the launch of the G8 task force, he stresses the distance between VIS and what is required by a rigorous SII strategy. The "dialectic consensus" reached by the commission according to its chair, in his words is nothing but the result of the defensive reaction of the Italian non-profit sector facing the challenge of SII.

> Oh, the commission [...] it ended up really bad. It was impossible to get to some strong recommendation. There were opposite visions and what came out is more or less nothing. The non-profit was opposing the idea and its resistance won, but I think that was a big mistake because, you know [...] when you have social impact investors coming in and you have to bargain with a big bank over social impact metrics, the big bank can easily invest a hundred thousand Euros in a consultancy for imposing its perspective, while I don't think it is the case for a non-profit. (Consultant, Interview, April 2018)

It is not possible to develop further and discuss in detail the different positions, nor is it the aim here to take a position about what perspective is preferable or more realistic. Nonetheless, the consultant brings the attention to two important elements: first, the ability of the network of expertise rooted in the non-profit sector to impose its view and interest by elaborating metrics that seem to slow the speed of the "disruptive innovation" for which the emerging network rooted in the financial sector was pushing. Second, the fact that the existing diversity of social impact metrics will not end, despite the efforts to establish one national measurement tool such as VIS. The diversity and fragmentation of metrics will pose new challenges to the networks of welfare expertise. The elaboration of VIS has been an important step in the confrontation between different networks of expertise, but new steps are to be expected in the next years as new SII experiments are likely to be promoted by the Social Impact Agenda for Italy that will include the formulation of new impact metrics.

4. Conclusion

The article contributes to the debate on the role of expertise in the transformation of the welfare state under three respects. First, it accounts for the historical trajectory that created the ecosystem in which an expertise promoting the financialization of welfare could develop. More specifically, it shows that the cuts to public welfare have destabilised the structure of the welfare mix and entailed, since 2008, tensions and transformations in the field of welfare expertise. The crisis of the welfare mix, based on the combination of quasi-market and participatory social planning, created the space for the emergence of a new network of expertise that contested the one developed in the previous 20 years. This contestation developed with regards to funding mechanisms and models of expertise: the hybridazation of NPOs and the development of a more authoritative model of consulting emerged as key tasks for welfare actors. In this context, following the work of the G8 task force on SII in 2014, a third network of expertise, with strong ties with the financial industry, emerged and advocated for a new, financialized approach to social policies in the name of the attractivity for investors of social programs and social organizations. Therefore, the development of new social impact metrics has become a major task of Italian welfare expertise, encouraged by two important policy initiatives such as the G8 task force and the national reform of the non-profit sector.

Second, it accounts for the contradictory and conflictual processes that lie beyond the establishment of technical tools and metrics, before their blackboxing. Through the analysis of the work of the commission appointed by the government for the elaboration of shared metrics for measuring the social impact of non-profit organizations, the article shows a two-fold, contradictory process. On the one hand, establishing shared metrics for social impact measurement has become a shared goal of both the non-profit-based and the finance-based networks of expertise; on the other hand, these networks of expertise elaborated and advanced very different social impact metrics. This confrontation ended with the failure of the attempt to establish social impact metrics fit for the experimentation of SII programs. Instead, a more limited reporting system inspired by the welfare mix has been released by the commission, which interpreted social impact measurement as a form of self-evaluation on behalf of non-profit organizations. The analysis of social impact measurement expertise in-the-making (Eyal 2013), in this case, allows to account for the social, contested, and contradictory processes of construction of the measures.

Third, the article confirms the tendency of social impact investing to produce a fragmented landscape of metrics, each linked to specific funding circuits and networks of expertise (Barman 2016; Chiapello and Godefroy 2017).

In the context of increasing financialization of Italian welfare (Caselli and Dagnes 2018), this analysis contributes to an understanding of both the importance of expertise and metrics in forging processes of financialization and the contested and contradictory processes that lie beyond the establishment of expert knowledge and techniques.

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The Mythology of the Social Impact Bond. A Critical Assessment from a Concerned Observer

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Abstract: *»Die Mythologie des Sozialen Wirkungskredits – eine kritische Bewertung eines besorgten Beobachters«*. Social Impact Bonds (SIBs) entered public political discourse in the UK in 2007. Many of their original claims – that they represent a bipartisan approach, generate public sector savings, promote innovation, and transfer risk from the public sector – have little basis in evidence so far produced. These are "myths of SIBs." This contribution explores four myths about SIBs, based on claims by SIB proponents – usually financial intermediaries and potential deliverers with vested interests in their success. Recent detailed evaluations and assessments show that a more cautious approach is needed before further expansion of SIBs and their funding takes place. Against considerable previous theoretical unpinning claimed by SIB proponents for these models, this contribution seeks to rectify serious omissions of public policy discourse, including analytical and theoretical literature, as a starting point for the relocation and reclamation of previous roles and territories for public service delivery. This article also presents detailed evidence on substantial funding from Government Departments, the UK National Lottery, and dormant bank accounts to support SIBs, the total of which amounts to more in subsidies for SIBs than the actual investment attracted from private investors. The conclusion is that it may be easier and even cheaper for public administrations directly to finance social programmes.

Keywords: Social impact investment, myths, public sector savings, financial innovation, evidence based policy, assessment, payment by results, transformation of social services, social impact bonds, United Kingdom.

1. Introduction

Social Impact Bonds (SIBs) represent a recent financial model for privatising public services, usually involving a delivery provider, external private investors, and public outcome funders. Their development and structures are usually promoted by a "social investment financial intermediary" – which may then become involved in their delivery (Warner 2013). Since 2007, SIBs have

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grown rapidly. In January 2018, 108 contracted impact bonds across 25 countries, along with many more in design, were reported (Gustafsson Wright 2018). More recently the UK Government Outcomes Lab databases shows that there were 71 UK SIBs (Blavatnik School of Government 2019), so that the UK accounts for half of all SIBs worldwide (Fox et al. 2017, 4).

But during ten years of SIBs, serious misperceptions and misunderstandings have arisen. This contribution examines four well known claims made for SIBs and finds little evidence to support them.

Firstly, some SIB advocates claim that they represent a bipartisan approach across political parties. But this claim is difficult to support. Rather than representing any kind of consensus across the political spectrum, most progress for SIBs under both Labour and Conservative Governments has been enabled through lack of public awareness and no political resistance. Minimal understanding of commissioning and procurement processes for UK public service delivery including social investment and SIBs has enabled their development below the political radar.

Secondly, SIB proponents cultivate a widespread myth about a "growing SIB market," so that on account of this latest variant of privatisation, provision of public services may become less reliant on public resources. Instead, as shown below, there is ample evidence that there are more public subsidies for social investment and SIBs than external funding from investors, with most SIBs kept alive through underpinning by a constant programme of Government subsidies and promotions. To demonstrate this, Appendix 2 provides a list of Government programmes which support and promote SIBs.

Because significant transaction, ongoing support costs, and staff time are usually confidential, it is almost impossible to ascertain the real costs of most SIBs, whether from public or private sources. The role of intermediaries and evaluators, acting as SIB policy entrepreneurs and supply side drivers, is rarely mentioned, which overlooks their role and obscures the financial flows and real costs of SIBs.

Thirdly, proponents claim that SIBs are progressed within frameworks of evidence based policy and generate savings and increase efficiency through enabling government to finance only those services which are effective. But evaluations so far show little evidence of savings, impact measurement, or transfer of risk. Even where measurement has taken place, this either lacks rigour or substance and often both, with few comparisons with other financing models for service delivery. Evaluations in Table 1 show that it may be easier and even cheaper for public administrations directly to finance social programmes.

Fourthly, it is claimed that that SIBs promote innovation, with their financial backers supporting start-ups using venture capital. But evidence shows that once set up, many SIBs demonstrate little innovation in service delivery and seek to increase rewards to their investors by minimising their financial exposure.

Despite little evidence to support any of these claims, it is striking that many SIB proponents still advance arguments they used ten years ago. In July 2018 UK local government finance organisations jointly published a guide to alternative service delivery models, using arguments from 2008 (Robinson et al. 2008; Social Finance 2009). “Social impact bonds (SIBs) allow governments to try out new social services on a no-win, no-fee basis, bringing in non-government investors to provide funding and transfer risk” (CGMA and CIPFA 2018, 14). A recent decision tree analysis shows that recent reports (e.g., Ronicle et al. 2014) have presented SIBs as “win, win, win” opportunities for all parties, but present the “benefits of SIBs against no clear comparator” (Giacomantonio 2017, 49). A range of SIB promoters and supporters keep repeating these myths about the functioning of SIBs, which this contribution seeks to demystify.

To provide insights for this contribution, the author has an extensive political background as a Labour Member of both Westminster and European Parliaments and as a Government Minister throughout the 1970s and 1980s. Since then, until entering academia, he specialised in securing funding and providing support for third sector organisations as their role became transformed in an increasingly neoliberal era. During this lengthy period of experience in policy making and delivery, he witnessed the onset of financialisaton and increased private sector involvement to deliver welfare reform. This contribution therefore draws on personal practical experience and an initial meta analysis of recent evaluations and assessments of more significant UK SIB programmes, shown in Table 1 below.

These evaluation reports provide insights into problems arising during the setting up and delivery of SIBs, and seek to demystify claims made for SIB, including their use of evidence and innovation. This contribution also provides two appendices. Appendix 1 gives a political chronology for SIB developments, as discussed in Section 1. Appendix 2 provides a list of Government and other public funds dedicated to SIBs and social investment, which assists in a review of claims of government savings below, as discussed in Section 2. Both of these appendices are based on official sources, including the UK Government’s Cabinet Office, whose third sector role is now transferred to the Department of Culture Media and Sport.

Table 1: Evaluation Reports of UK SIBs

SIBs EVALUATED	BRIEF DESCRIPTION	EVALUATION REPORTS
Peterborough SIB 2009 to 2016	First Labour SIB. Aims to reduce recidivism	(Demel 2012; McKay 2013) (Disley et al. 2015)
SIBs funded by Department for Work and Pensions' Innovation Fund: 3 year £30mn pilot from April 2012 till November 2015	10 SIBs and 100% Payment by Results (PbR) funding for projects targeted on young people aged 14 and over who were disadvantaged or at risk of disadvantage	(Arena et al. 2016; Department of Work and Pensions 2014)
Nine "Health and Care Trailblazers"	Funding in 2013 by Department of Health Social Enterprise Investment Fund	Interim and Final Report by Policy Innovation Research Unit (Tan et al. 2015; Fraser et al. 2018)
Ongoing Evaluations of Social Outcomes and Commissioning Better Outcomes Funds (continuing series)	Programmes of central Government and Big Lottery funding across different policy areas to provide 50% SIB project costs	(Ecorys Research and Consulting 2016a, 2016b, 2017)
Meta Evaluation of 46 papers	29 relate to PbR programmes, 15 to SIBs and one PbR/SIB	Policy Evaluation Research Unit (PERU) Review (Fox and O'Leary 2017)
Meta Evaluation of 32 SIBs in England and Wales between 2010 and 2015 and 20 SIBs in the US	Overview of outcome based models, including UK SIBs and US Pay for Success	Policy Evaluation Research Unit (Albertson et al. 2018)

(Sources in this table are based on the author's own research).

2. The Myth of Bipartisanship and Parliamentary Control

Many scholars argue that SIBs have a bipartisan appeal, because they are "basically supportive of governmental welfare-spending, but combine this with shifting risk to private investors and the marketisation of right wing politics" (Maier and Meyer 2017, 7). Initial promotion and the launch of the UK's first SIB in Peterborough was a Labour initiative (Robinson et al. 2008; Disley et al. 2015). Appendix 1 below shows clearly that policies for payment by results (PbR) and output measurement, on which SIBs and social investment are based, have all come from the left of British politics. They began with Ronald Cohen's Social Investment Task Force (SITF), under Labour Chancellor Gordon Brown. From 2000 onwards, Cohen and others claimed that venture capital can "harness the most powerful forces of capitalism: entrepreneurship, innovation and capital to tackle social issues more effectively" (Chiapello and Godefroy 2017, 178).

Alongside Cohen's SITF Reports, (SITF 2000, 2003, 2005, 2010), SIBs were recommended from Brown's Council on Social Action in 2007 (Robinson et al. 2008, 24). Among these Labour policies is an important but often neglected report from David Freud to James Parnell, as Secretary of State for Work and Pensions in 2007, advocating payment by results to private contractors. This advocacy of extending payment by results paved the way for SIBs in the UK (Freud 2007, 67).

These policies for social investment and SIBs therefore came from the left of British politics at the highest level. Labour policies thus enabled Conservative Governments to expand SIB programmes described below without political debate. Rather than bipartisanship, it is a lack of awareness and accountability which has enabled expansion of Conservative Governments' continuing subsidies for SIBs.

This lack of public awareness was shown after Prime Minister May's speech on mental health service reform in January 2017, when she referred to UK "global leadership on SIBs" with £50mn to support "those with mental health issues back into work" (May 2017). Though there is no UK SIB programme for mental health, no one challenged her statement. The nearest approximation is the Life Chances Fund (Cabinet Office 2016b). Mental health service users do not feature in the programme guidance (Cabinet Office 2016b, 3).

There has been a similar lack of political awareness or interest in the publication of annual reports of the Government's Reclaim Fund – into which proceeds from dormant bank accounts are transferred. After its 2017 report, £362mn was distributed to Big Lottery Fund, with £301mn passed on to Big Society Capital, the social investment wholesaler (Ainsworth 2018). A continuing lack of public awareness enables the Government to use the dormant bank accounts of those now deceased, largely without Parliamentary questions or challenge, to provide subsidies for social investment and SIBs.

The House of Lords Select Committee held a series of public hearings on charities between July and December 2016. Published minutes from these hearings show that three leading SIB players faced only minimal questions. Firstly, on Tuesday, 25 October 2016, the Chief Executive of Esmee Fairbairn Foundation, one of the UK's largest independent foundations, referred to "an unspoken expectation that philanthropic capital will come in to take that risk on the outsourcing of public services," and continued, "we do not feel that underwriting statutory risks and costs or private sector risks and costs is a particularly good use of philanthropic capital" (House of Lords Select Committee on Charities 2016a).

Despite her previous experience with Big Society Capital, she was not asked any questions. Secondly, the Chief Executive of the influential intermediary Social Finance Ltd, which in August 2009 published the first UK SIB implementation guidance (Social Finance 2009) and in April 2010 set up the Peterborough SIB, spoke about the difficulties of smaller third sector organisations in accessing social investment. “The sub £150,000 marketplace needs subsidy […] the valley of death of investment is £50,000 up to £250,000 for normal commercial businesses” (House of Lords Select Committee on Charities 2016a). Despite this, he was not questioned by Committee Members. Thirdly, on Tuesday, 29 November 2016, the Chief Executive of Big Lottery, with administers substantial funds for SIB support, was not asked questions on SIBs (House of Lords Select Committee on Charities 2016b).

Finally, after six months of its published oral and written evidence, the Select Committee’s Report in March 2017 reflected its lack of questioning. The strongest criticism in the Report was that expectations placed upon SIBs had yet to materialise and that the Government’s focus on them was disproportionate to their potential impact. The Committee concluded that future public funding should be reoriented from SIBs “towards financial products with application to a wider range of charities and beneficiaries” (House of Lords Select Committee on Charities 2017, 86). After ten years for SIBs in a political wilderness, this Committee asked less than searching questions about promises of SIB savings, innovation, methodological rigour, and transparency.

3. The Myth of a SIB Market and Government Savings

SIB proponents continue to promote the myth of a growing SIB market for investors, when Government savings are needed. For example, the National Audit Office “estimates a 37% real-term reduction in government funding to local authorities between 2010/2011-2015/2016” (Hoare et al. 2016, 8). But despite promises of private funding, SIBs from their inception were fed by Government and Lottery funding. Far from producing savings, SIBs necessitate high public sector subsidies.

Appendix 2 shows that all major Government Departments, including HM Treasury and Cabinet Office, have contributed to ongoing SIB support and subsidies. From 2002 to 2017, Big Lottery and Government Departments, including HM Treasury and the Cabinet Office, contributed a total of £1,062,720,000 to SIB and social investment subsidies (Floyd et al. 2017, 22). Every £1 of SIB investment is supported by at least £1.15 of government money (Floyd 2017, 21). Early evaluations of SIB support programmes in Table 1 confirm central Government funding for around 50% of SIBs’ total project costs (Ecorys Research and Consulting 2016a, 2016b, 2017).

Many evaluation reports confirm that there are few savings. “Ways to Wellness,” an early UK health care SIB, promoted by Newcastle Gateshead Clinical Commissioning Group (CCG), uses social prescribing to improve long term health outcomes (Ronicle et al. 2014): “The total expected outcomes payments made to Ways to Wellness in its first six years of operation are £8.2mn, of which £5.2mn (64%) will be paid by the CCG, £2mn (24%) by Commissioning Better Outcomes (CBO) and £1mn (12%) by Social Outcomes Fund (SOF)."

A further independent review by North East Quality Observatory Services indicated net savings to Newcastle West CCG of between £2mn and £7mn (Newcastle Clinical Commissioning Group 2017). But this is less than the SIB programme's estimated total cost of £12.85mn (Fraser et al. 2018, 59).

Similarly, the Final Evaluations of nine "Trailblazer" healthcare SIBS confirmed a need for subsidy. Only one Trailblazer reported having made cashable savings from SIB-financed interventions (Fraser et al. 2018, 1). Some local commissioners may view SIBs favourably because evaluations show that many outcome payments are not paid by them but instead by central government and Big Lottery (Fraser et al. 2018, 142). Despite this, the Final Trailblazer Evaluation concludes that in the absence of financial savings, in four out of five Trailblazers, successful achievement of outcomes may come at increased cost to local commissioners, at least in the short to medium term (Fraser et al. 2018, 13).

These evaluations demonstrate that local authority and NHS commissioners view SIBs as simply another Government funding programme, with the added inducement of Government funding for feasibility studies to prepare for SIBs, usually funded as precursors or trailblazers to funding programmes in Appendix 2.

Though these examples show that savings from SIBs are small, their calculations systematically excludes transaction costs. Despite a series of Freedom of Information requests by the author, it is very difficult to trace the cost of promotional activities, evaluation reports, contract negotiation, policy entrepreneurs, and legal and economic consultants involved in SIB construction.

Additionally, the public sector costs, especially time and resources, are hidden. Firstly, many in academia provide regular updates and blogs to enhance their reputation as evaluators and intermediaries. "Since 2011, the GPL (Harvard Government Performance Lab) has provided pro bono government-side technical assistance on 84 projects, supporting leaders of 61 jurisdictions in 28 states" (Harvard Kennedy School of Government 2018). A UK policy community is emerging, which includes Newcastle University Business School, London Universities' Policy Innovation Research Unit (PIRU), and Manchester Metropolitan University's Policy Evaluation Research Unit (PERU), providing evaluation and intermediation and business models for more SIBs.

Secondly, in support of higher education and public service bodies, SIB service providers and intermediaries continue to promote SIBs (Albertson et al. 2018, 17). Social Finance, a prominent social investment financial intermediary, which set up the Peterborough SIB in 2009, is now active in the UK and US (Social Finance 2017).

Despite few publicly available figures for expenses incurred in structuring and managing SIBs, contractors, intermediaries, advisors, and independent assessors, including for impact measurement, must all be paid. Giacomantonio argues that "it is unreasonable to believe that the addition of so many extra actors – including investors and intermediaries alongside commissioners and service providers – into a service contracting situation can result in lower transaction costs, and empirical findings to date bear this out" (Giacomantonio 2017, 59). These payments are not disclosed since most SIB negotiations for transaction costs are commercially confidential. Most intermediaries are not just impartial brokers and assessors of the SIB. They are also interested in making the SIB a success to keep them in business (Maier and Meyer 2017, 5).

It is thus not unreasonable to conclude that any small and difficult savings from SIBs might not be outweighed by additional but undocumented SIB transaction costs. This raises the issue of whether extensive resources to fund SIBs would be better spent on improving other commissioning approaches (Disley et al. 2015, 10).

4. The Myths of Evidence-Based Policy and Transfer of Risk

A third major claim made frequently for SIBs is that they exemplify evidence-based policy, with programmes soundly evaluated. The argument continues that any risk of failure will be assumed by private funders, so that commissioners make payments and investors receive rewards only if a SIB is successful.

After ten years of UK SIBs, most still rely on performance management information, rather than independent analysis or other accepted methods, to demonstrate the achievement of outputs. SIBs are rarely compared with existing service approaches with proven track records of financial accomplishment. In all but one of UK SIBs that have paid out to date, payment was based on performance targets, rather than counter factual impact evaluation, with little or no mention of wider social outcomes linked to outcomes-based commissioning (Fox and Morris 2019, 5, 6). It is not clear whether different approaches will actually deliver results in combination (Joy and Shields 2013, 47). The independently funded Oxford Outcomes Lab has suggested that evaluations rarely explicitly or rigorously compare a SIB commissioning approach with a grant, fee-for-service, or even in-house delivery for a given population (Blavatnik School of Government 2019).

There is considerable difficulty finding causal evidence for SIBs. The Final Trailblazers' Evaluation covering nine health and care SIBs showed that three out of four sites implicitly assumed that the SIB was responsible for outcomes, while in the other, "a pragmatic decision was taken to pay the provider as through the full outcomes target had been met" through difficulties in identifying appropriate data (Fraser et al. 2018, 100).

A comprehensive Brookings Institute report on the first five years of SIB experience worldwide (Gustafsson-Wright, Gardiner, and Putcha 2015, 20) shows almost 30% of SIB evaluations based on Validated Administrative Data on special education, placement in care (residential or foster care), employment status, and incarceration, rather than Historical Comparisons, Quasi Experimental methods, or Randomised Control Trials. The PERU Evaluation Review includes perhaps the most pragmatic UK evaluation – of the Bridges Fund Management's "It's All About Me" Adoption SIB. Without any impact evaluation, the Cabinet Office simply stated that no children would have found a home without the SIB and that deadweight or displacement was nil (Albertson et al. 2018, 104). Many evaluations are published by UK government departments that commissioned them (ICF Consulting Services 2019). Robust counterfactual groups are hard to find and not prevalent in approaches to evaluating or measuring outcomes (DWP 2014; Tan et al. 2015). Evaluations frequently rely on existing administrative data sets and often report challenges either in accessing data or about the poor quality of data (Fox and O'Leary 2017, 6).

Despite claims of methodological rigour, the Policy Innovation Research Unit review (Albertson et al. 2018, 49-56; 72-5) found that much literature was either an analysis of the general SIB concept (e.g., Mulgan 2010, Fox and Albertson 2012) or literature reviews, sometimes combined with small-scale surveys of stakeholders (e.g., Jackson 2013, Ronicle et al. 2014). Tan et al. (2015, 5) searched databases but found little empirical data about SIBs, despite a larger academic, policy, and "grey" literature about theoretical impacts of SIB funding for providing public services (Fox, Albertson, and O'Leary 2017, 12).

SIB proponents also claim that SIBs transfer risk from the public sector to intermediaries and private investors. But little actual risk transfer takes place. Despite extensive subsidies, most external private investment has come from trusts and foundations persuaded by Government, rather than from high net worth private investors' taking risks. CAF Venturesome has made investments of more than £40mn in 500 charities and social enterprises. Esmee Fairbairn Foundation, the UK's largest trust, invested £45mn in 120 investments (Floyd, Davis, and Merryfield 2017). The Trailblazer Final Evaluation found little evidence that the opportunity to invest was seen by commercially minded private investors as offering a sufficiently attractive new investment opportunity (Fraser et al. 2018, 134).

In several cases, transfer of risk simply does not take place because different mechanisms are inserted to protect investments through public guarantees, subsidies, or philanthropy (Arena et al. 2016, 930). Similarly, the UK National Audit Office found little evidence of payment by results risk transfer (National Audit Office 2015). The Policy Innovation Research Unit review concluded that it is by no means clear that the UK Government's PbR approach has resulted in cost and risk reduction (Albertson et al. 2018, 111).

5. The Myth of Innovation

Many SIB promoters hail their potential for innovation in service design, as a new type of intervention to solve social problems. But in many cases, there is significant deviation from SIBs initial promises, so that innovation is minimised.

Neither PbR nor SIB programmes in the UK have been strongly associated with innovation in service design. The Peterborough SIB was a prime example. Apart from using a SIB mechanism, any innovation was not necessarily a result of SIB funding, as non-SIB funded initiatives showed similar characteristics (Disley et al. 2015, 8). In Rikers Island, the claimed innovative model was the Adolescent Behavioural Learning Experience (ABLE), "a cognitive behavioural therapy proven to reduce recidivism" (Warner 2013, 312). But the VERA Institute of Justice Adolescent Behaviour Learning Experience Impact Evaluation of Rikers showed that it made little impact on reoffending (Parsons, Weiss, and Wei 2016).

Instead of innovating, many SIBs amplify existing interventions. Providers are tempted to replicate existing interventions, rather than innovation (Albertson et al. 2018, 27). SIBs typically focus on scaling up or extending the reach of existing evidence-based programmes, and provide support for evidence-based policy and practice, rather than deliver any innovation (Albertson et al. 2018, 107). Some interventions are relatively conventional in approach and/or are similar to non SIB programmes (Fox, Albertson, and O'Leary 2017, 7).

Furthermore, as shown above, SIBs are not innovative on account of their financing, since considerable evidence shows that their financiers and investors are risk averse (Bafford 2012, 13; Godeke 2013, 73; Manpower Demonstration Research Corporation 2016, 16, 21).

Finally, in a context of reduced public spending, some third sector organisations claim that SIBs offer greater financial stability to non-profit and voluntary sector organizations delivering these services (Leventhal 2012; Jackson 2013; Social Enterprise UK 2013; Clark et al. 2014). But evaluations show that many small-scale third sector organisations may be discouraged, or intimidated, from taking part in a SIB for a number of reasons, particularly the large-scale nature of SIBs and the implications of an outcomes-focus and pressurise to deliver outcomes (Fraser et al. 2018, 36).

Finally, as shown above, many SIBs rely on existing metrics and methods. This means that in practice, SIBs diverge from a SIB prototype by avoiding elements beyond the traditional logic of public procurement for reengineering, and thus increasing the efficiency, of the public expenditure supply chain (Arena et al. 2016, 934).

6. Conclusion

Through evaluations and assessments above, this contribution has sought to show that caution is needed in responding to claims made for SIBs. Section 1 shows that instead of SIBs' representing a bipartisan approach, progress under Labour and Coalition Governments has largely been assisted through lack of public awareness and lack of Parliamentary accountability. Sections 2 and 3 show that data in Government and independent reports does not allow us to answer the question of whether SIBs are likely to be superior to other approaches to commissioning (Fraser et al. 2018, 141).

All sections above show that there is little evidence to support claims made by SIB advocates. SIB evaluations and analyses in sections 2 and 3 demonstrate that it is questionable whether SIBs are more effective or efficient than other funding regimes. In an initial literature review, which preceded their Final Trailblazer evaluation in Table 1 and section 3, Fraser et al. conclude that there is

> very little rigorous counterfactual comparison of SIBs versus alternative methods of finance to deliver the same service to the same type of users, and thus a lack of evidence of costs and benefits compared with the alternative approach to procurement […] the lack of quantitative data and evidenced cashable savings is worrying. (Fraser et al. 2016, 13)

Focus on measurement raises significant questions about attribution of outcomes to the actions of providers and financiers and how any "SIB effect" can adequately be interpreted and validated (Fraser et al. 2016, 13).

Finally, as in section 2, the role of SIB promoters as policy entrepreneurs is largely overlooked, with questions on whether transaction, governance, and evaluation costs outweigh efficiency gains and how real innovation can be fostered without risking viability of smaller deliverers and providers. The author concurs with the conclusion of Fox et al. that the potential of a SIB/PbR approach may not be as an innovative form of commissioning, but rather as an innovative form of enabling (Fox et al. 2017, 19).

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Appendix

Appendix 1: Chronology of UK SIB Developments with Political Origins

From 2000 till 2010, the following initiatives were all from Labour Governments or Labour supporting organisations, except for 2003 Bank of England Report:

April 2000 – Creation of 'Social Investment Task Force' (SITF). Labour Chancellor sets up Task Force (SITF) under venture capitalist Ronald Cohen, as first steps towards private investment in public services. "To set out how entrepreneurial practices can be applied to obtain higher social and financial returns from social investment" (SITF 2000, 3).

October 2000 – SITF Report "Enterprising Communities: Wealth Beyond Welfare: First Report to the Chancellor of the Exchequer from Social Investment Task Force" Recommends Community Development Venture Funds, Tax Credit, and Support for Community Development.

November 2000 HM Treasury Pre Budget Report. First mention of tax incentive for community investment – a "Community Investment Tax Credit" (Chancellor of Exchequer 2000, para. 3.70).

2002 Peter Lloyd (University of Liverpool) Report to Social Enterprise Coalition. A significant external academic report, which Includes commissioning and contracting within a framework which still broadly in place (Lloyd 2002).

March 2003. Department of Trade and Industry (DTI) consultation document "Enterprise for Communities" and "Working Paper: Finance for CICs" and Proposals for a Community Interest Company (CIC). CICs represent an additional "layer" for private Companies Limited by Shares and Companies Limited by Guarantee and others. This move to individually owned structures formed a basis for organisations which later deliver social investment and SIBs.

May 2003 The Financing of Social Enterprises: Special Report by Bank of England. "Problems in obtaining external finance were cited more often by social enterprises as a major barrier to expanding trading activity than any other barrier" (Bank of England 2003, 29). This was a forerunner to loans.

July 2003. SITF 2003 Update "Enterprising Communities: Wealth Beyond Welfare" (SITF 2003). Update from 2000 recommendations on Community Investment Task Credit, Community Development Venture Funds, etc.

December 2003. Futurebuilders Fund Created (see Appendix 2). Consortium of Charity Bank, Unity Trust Bank, National Council for Voluntary Organisations and Northern Rock Foundation wins HM Treasury contract to deliver Futurebuilders. First major £215mn investment fund for social enterprise loans and equity (National Audit Office 2009, 5).

July 2005. SITF 2005 Update "Enterprising Communities: Wealth Beyond Welfare" (SITF 2005). Further updates on developments recommenced in 2003 Report above.

January 2006. Department of Health creates internal Social Enterprise Unit. "Social Enterprises are business-like entrepreneurial organisations with primarily social objectives" (Department of Health Social Enterprise Unit 2007, 4). Unit for outsourcing laid foundations for social investment and SIBs.

2006. Social Enterprise Unit functions move to Regional Development Agencies (RDAs). Social Enterprise Action Plan "Scaling New Heights" transfers social enterprise policy to RDAs, with further £0.5mn support, thus mainstreaming third sector outsourcing of public service delivery.

February 2007. David Freud Report "Reducing Dependency, Increasing Opportunity: Options for the Future of Welfare to Work." Though an independent report to Labour Secretary for Work and Pensions, Freud later became Conservative Government Minister. Significant extension of payment by results, which forms basis for outsourced welfare programmes, later using SIBs.

2007. Social Enterprise Investment Fund (SEIF) established by the Department of Health. £100mn in three phases over four-years to support development of social enterprises in health and social care services (see Appendix 2). SEIF later used to support nine Health and Care Trailblazers.

2007. Council on Social Action, convened by Gordon Brown, Labour Chancellor. First Government mention of SIBs. "(S)ocial investors could be persuaded to take on implementation risk (the risk that given interventions will genuinely improve social outcomes) that has previously been borne by government" (Robinson et al. 2008, 24).

2007. Foundation of Social Finance Ltd, Ronald Cohen as Chair. Later sets up Labour's first SIB in Peterborough 2009.

November 2008. Labour Government's Dormant Bank Accounts Act. Leads to 2012 Conservative Government tasking Big Society Capital to manage £600mn from dormant bank accounts and "Merlin Banks," later to become a "social investment wholesaler" to fund SIBs (see Appendix 2).

2009. "Social Impact Bonds: Rethinking Finance for Social Outcomes." Highly influential Social Finance policy document, supporting Labour Government, promoting SIB arguments still in current use. (Social Finance set up Labour's first SIB in Peterborough). "Potential Social Impact Bond applications" foreshadowed policy areas where SIBs feature today (Social Finance 2009, 5).

December 2009. Labour Government White Paper "Putting the Frontline First." First mention of SIBs in any Government White Paper "actively developing a pilot to use Social Impact Bonds to draw in new investment into third sector service provision" (HM Government and Byrne 2009, 32).

April 2010. Peterborough SIB. Labour Government. Widely trailed first actual UK SIB. £11.25mn grant from Big Lottery to Social Finance as intermediary, with significant support from other organisations.

April 2010. Final Report of Social Investment Task Force. SIBs "developed to address these issues by enabling significant private investment in preventative interventions through social sector organisations" (SITF 2010, 18).

From 2010 till 2017, the following initiatives from Coalition or Conservative Governments used Labour's original structures. Also shows national third sector organisations, which had supported Labour initiatives, continuing to support those from Conservatives.

February 2011. Conservative and Liberal Democrat Coalition White Paper, "Growing the Social Investment Market." Used many similar arguments from SITF Final Report and "Putting the Frontline First" 2009 Labour White Paper, including SIBs (Cabinet Office and HM Government 2011, 30).

April 2012. Big Society Capital begins operations as social investment wholesale agent. Based on 2008 Labour Dormant Bank Accounts Act "Big Society Capital will grow the social investment market which blends financial return with positive social impact" (Cabinet Office 2012).

2013. Department of Health promotes SIBs in 9 sites. "SIB Trailblazers in Health and Social Care." Labelled "SIB Trailblazers" above (Fraser et al. 2016, 2018).

June 2013. Social Economy Alliance launch at "Social Economy Summit" to influence Local Government and European Elections and 2015 UK General Election. Formed by Social Enterprise UK (main UK social enterprise organisation) and wide range of third sector organisations. Demonstrates accommodation of national third sector organisations within Coalition and Conservative Government policies.

2013 till 2017. Series of SIB Funds and Conservative Government and Big Lottery Support Funds (see Appendix 2). Funding SIB feasibility studies, infrastructure costs, and payments to investors.

May 2017 General Election. "Social Economy Alliance Manifesto for an Inclusive Economy" continued to support Government policies above for outsourcing to private and third sector organisations (Social Economy Alliance 2017, 4).

*March 2017. Dormant Assets Commission***.** Arising from 2008 Labour Dormant Bank Accounts Act, Commission reports to Conservative Government on a further potential £2bn from dormant charity and other unclaimed assets, which may be "earmarked for good causes." This significant extension for potential use of unclaimed assets to support Government target of £1bn of SIBs by the end of this Parliament – i.e., five years (Wilson 2016).

Appendix 2: Public Findings for SIBS and Social Investment

Year and Fund or Financial Instrument	Amount Committed /invested	Origin of Money	Purpose	Sources
2004 Futurebuilders Fund	£215mn	HM Treasury	First major Government programme to support external investment in social enterprises to improve third sector service delivery, offering mix of grants and loans from £30,000 to several million pounds to around 250 organisations over the next 3 years.	(Third Sector 2004)
2007 Social Enterprise Investment Fund (SEIF)	£100mn in 3 phases over 4 years	Department of Health	To support development of social enterprise in health and social care services. Evaluation of Fund reported "until 31 March 2011 a total investment of £80,712,510 was made by the SEIF (across 531 organisations)." SEIF later funded Department of Health "SIB Trailblazers" (Table 1 above).	(Alcock, Millar and Hall 2012, 4) (PIRU 2015)
2008 Dormant Bank Accounts Act		Provides platform for 2012 Big Society Capital	"Act enables banks and building societies…to transfer money held in dormant accounts to a central reclaim fund". Reclaim Fund responsible for meeting reclaims and passing on surplus for reinvestment in community through Big Lottery.	(Cabinet Office 2014b)
November 2011 "Next Steps: Supporting Social Investment in England"	£6mn	Big Lottery	Further Government encouragement for Lottery to provide support for social investment and SIBs.	(Big Lottery 2011)
April 2012 Big Society Capital	£600mn	£400mn under 2008 Dormant Bank Accounts Act. £200mn from main banks	Social Investment wholesaler, including funding for SIBs. Will grow social investment market which blends financial return with positive social impact.	(Cabinet Office 2012)

2012 Innovation Fund (IF)	£30mn	Department of Work and Pensions	"Rate card" SIBs, with providers paid for nine outcomes. Aimed to increase employment prospects of 14 to 24 year olds at risk or disadvantage, through commissioning ten SIBs in two funding rounds (see Table 1 above).	(Thomas, Griffiths and Pemberton 2016, 1)
May 2012 Investment and Contract Readiness Fund	£10mn increased to £13.2mn	Cabinet Office	Grants up to £150k to purchase up to "20 months contract-readiness support." ICRF evaluation reported 155 social ventures received £13.2mn grants to help them get investment and become contract ready.	 (Ronicle and Fox 2016)
July 2012 Social Incubator Fund	£10mn	Cabinet Office	To strengthen "growing social investment market by providing start-ups with intensive support to enable them to take advantage of social investment opportunities so they better serve communities and people most in need."	(Cabinet Office 2014a)
July 2013 Social Outcomes Fund Commissioning Better Outcomes Fund	£20mn £40mn	Cabinet Office Big Lottery	Can fund 20% of SIB outcome payments. Both funds support development of more SIBs. Available to pay for a proportion of outcomes payments for SIBs in complex policy areas, as well as support to develop robust proposals.	(Cabinet Office 2014a) (Big Lottery Fund 2013, 2017; Cabinet Office 2013)
February 2014 Big Potential Fund	£10mn	Big Lottery	For voluntary, community, and social enterprises (VCSEs) to access grant funding of between £20,000 and £75,000. "To raise awareness of the social investment market and support voluntary, community and social enterprise organisations to prepare for social investment."	(Albertson et al. 2018, 57) (Hazenberg 2015, 4)
2014 Social Investment Tax Relief (SITF)		HM Treasury	30% tax break to individual investors in eligible "social" organisations - Special Purpose Vehicles (SPVs) set up to manage SIBs if registered with Cabinet Office as "Social Impact Contractor."	(Big Society Capital 2017, 3)

April 2014 Youth Engagement Fund	£30mn	Cabinet Office	SIBs for youth unemployment and homelessness.	(Cabinet Office 2015)
December 2014 Fair Chance Fund Single Homeless Fund	£15mn £8mn	Cabinet Office Department of Communities and Local Government	Payment by results funds for projects £500k to £3mn. Contributes to SIB outcome payments. To fund seven SIBs to tackle youth homelessness by supporting vulnerable 18-24-years olds into accommodation and employment or training.	(Cabinet Office 2014c)
October 2014 Social Ventures Fund	£1.5mn	Cabinet Office	Grants of £15,000 to £150,000 until late January 2015 to help organisations to build their infrastructure and skills and showcase their impact."	(Cabinet Office, 2014c)
2015 Creation of "Access: The Foundation for Social Investment"	More than £100mn	Big Lottery Big Society Capital Department of Culture, Media and Sport (DCMS)	Grants and loans to social enterprises seeking investments of £150,000 or less, with £60mn to support investment readiness and market infrastructure. Now a major social investment support programme.	(Access Foundation 2019)
January 2015 Big Potential Advanced Fund	£10mn	Big Lottery	For supporting "more organisationally developed sections of the Voluntary, Community and Social Enterprise (VCSE) sector to access social investment (amounts larger than £500,000) and/or large public service delivery contracts (in excess of £1mn)."	(London Arts in Health Forum 2015)
July 2016 Life Chances Fund	£80mn	Cabinet Office (now DCMS)	SIBs for young people, early years, healthy lives, older people's services. Up to 20% contribution to outcomes payments.	(Cabinet Office 2016a)

Nudging Subjects at Risk: Social Impact Bonds between Financialization and Compassion

Manuel Wirth *

Abstract: *»Anstöße für gefährdete Subjekte - Soziale Wirkungskredite zwischen Finanzialisierung und Mitgefühl«*. This paper explores the consequences of a recent Social Impact Bond (SIB) implementation in the UK at the level of everyday practices in three youth homelessness charities. By focusing on the effects of measuring and valuation devices, it is argued that the SIB transforms the way social welfare is delivered: it redefines practices, relationships, and interactions within service provision along the ambiguous dynamics of marketization processes. On the one hand, this is characterized by moments of creative articulation whereby service interventions connect a multitude of logics and narratives and exhibit both an emotionalized and behaviorist content. On the other hand, as this paper shows, economic principles underpinning the SIB are performatively actualized in the scheme, shaping interactions and relationships. The paper concludes that these two processes should be conceived not as mutually exclusive but as concomitant, yet conflictive forces that shape the marketization process of SIBs.

Keywords: Social impact investing, marketization, social finance, emotional governance, social impact bonds, United Kingdom.

1. Introduction

Recent years have seen the proliferation of financial market-oriented methods to tackle growing environmental problems and widening social inequality. Many of these initiatives are marked by an increased awareness regarding the detrimental effects of financial market practices and discourses of "humanized capitalism" and "moral markets" (Jupp et al. 2017). A phenomenon that has become increasingly popular in recent years is impact investing: an investment strategy that situates itself morally apart from mainstream investment practices (Kish and Fairbairn 2018) by pursuing investment opportunities that produce both a financial return *and* social/environmental impact (Höchstädter and

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Scheck 2015). By harnessing the powerful instruments of financial capitalism, its proponents argue, social and environmental problems could be solved more efficiently and chronic shortage of funding for the social sector could be overcome (Cohen 2014).

Particularly in the United Kingdom, an impact investing initiative called Social Impact Bonds (SIB) has attracted a lot of attention by policymakers. An SIB is a funding tool and social policy instrument that aims to address complex social problems like homelessness, unemployment, or recidivism, amongst others. In an attempt to innovate funding and delivery models for welfare services, SIBs have been systematically rolled out, tested, and refined by subsequent UK governments with the promise to provide social organizations with alternative ways to access finance in a climate of welfare cuts (Dear et al. 2016).

Social Impact Bonds seem to be particularly attractive for governments and financial market actors. On the one hand, they are multiparty contracts connecting a government agency, impact investors, and a third sector organization in a payment-by-results architecture based on an elaborate impact measurement design (Rangan and Chase 2015). On the other hand, they are advertised as vehicles to spur and test innovative delivery models to poverty alleviation, thus representing potential outlets for the latest social policy trends (Liebman 2011). Hence, proponents claim that for governments SIBs hold the potential for saving costs, making welfare services more innovative, and aligning social service provision with market-led and entrepreneurial logics. For investors, in turn, they offer the opportunity to tackle social inequality, diversify their portfolio, and make financial profit at the same time.

In the wake of the proliferation of "concerned" (Geiger et al. 2014) or "civilizing" markets (Callon 2009), SIBs are interesting objects to study. As an approach that aims to marry the production of financial profit and measurable social impact, they draw on a multiplicity of measurement and (financial) valuation techniques to commensurate the competing realms of economic and social value (Barman 2015; Chiapello 2015). In doing so, these instruments do not only intervene in the framing of a market space to enable price setting or facilitating exchange, but also function as valuation devices that value those organizations or actors implementing them (Chiapello and Godefroy 2017).

The article takes this as a starting point to investigate the effects of financial innovations on charity practices and recipients of social services by taking the example of a recent SIB implementation in the UK, the Fair Chance Fund SIBs. Focusing on the impact of measuring and valuation, it argues that the SIB transforms the way social welfare is delivered: it redefines practices, relations, and interactions within service provision according to the conflicting dynamics of marketization processes. The argument of this paper is twofold. First, against common assumptions suggesting that marketization turns everything into a "cash nexus" and impersonalizes relationships, it demonstrates that SIBs proliferate emotional work and articulate alternative logics that go beyond purely economic ones. Hence, it argues that the binary between market logic and alternative logics (such as compassion or intimacy) is an ideal-type division that does not hold in practice. Second, at the same time, however, market principles have to be reinscribed in order for SIBs to be successful, a process of reframing that partly reinserts "the separation between the market and its various others" (Berndt and Wirth 2018, 13).

In order to shed light on these processes, the article takes inspiration from social studies of economization and geographies of marketization literature (Çalışkan and Callon 2010; Berndt and Boeckler 2011). Writings in this tradition draw attention to the fact that marketization is always a contested, ambiguous, and open-ended process that involves an "ambivalent double play of debordering (overflowing) *and* bordering (framing) processes" (Berndt and Boeckler 2011, 1062, emphasis in the original). Both moments are not seen as mutually exclusive but concomitant, yet conflictive forces that shape marketization processes (ibid.). This allows the analysis to be sensitive to findings from scholars such as Viviana Zelizer (e.g., 2011) who have shown that the seemingly separate realms of economy and non-economy are constantly mixed in everyday life (overflowing) while acknowledging at the same time the need to practically re-establish market discipline (framing) to hold market-based interventions together. This reframing is the performative work of calculative devices, practices, and narratives (Callon 1998; MacKenzie et al. 2007). I will argue below that SIBs are perfect examples for these processes and it is the fuzziness and malleability involved that makes them attractive for decision-makers.

The argument is developed in four steps. In section 2, the architecture of the Fair Chance Fund SIBs in the United Kingdom is presented, placing a special emphasis on the design of the valuation infrastructure and the rationales behind the planned interventions. This is followed by two empirical sections that shed light on the concrete use and consequences of this SIB: section 3 explores how care interactions and practices in these projects connect with alternative logics and conventions, exhibiting both an emotionalized and behaviorist content. Section 4 discusses the performative logics of this market device that aim to contain these non-economic entanglements and reinscribe economic principles. The paper concludes by reflecting on the controversial poverty politics that underpin SIBs.

The empirical material for this study[1] is derived from 38 recorded, transcribed, and coded interviews and participant observation field notes (work-

1 Interviews were conducted with charity staff (support workers, team leaders, operation managers), service recipients, social investors, council representatives of three projects funded through Fair Chance Fund SIBs, and one person involved in the Fair Chance design team. Fieldwork took place between February 2017 and January 2018. The interviews were

shop participation, advisory appointments) conducted during fieldwork in three UK charities financed through Fair Chance Fund Social Impact Bonds. The projects were operating between 2015 and 2017 and addressed youth homelessness and unemployment. Interviews were conducted with service recipients, support workers, team managers, and senior charity staff.

2. SIBs and the Fair Chance Fund

A Social Impact Bond is the name given to a vaguely defined financing tool for third sector organizations that has, since its inception in 2010, appeared in many different forms. First introduced by the UK government to fund an anti-recidivism project in Peterborough (Disley et al. 2011), the initial idea was to facilitate access to funding for small, unprofitable organizations that work with a particularly complex target group by linking them to financial market actors. In doing so, it was argued, social service provision would become more efficient and entrepreneurial (Liebman 2011). In a nutshell, SIBs build on performance-based contracts, usually commissioned by a government agency, whereby investors provide upfront funding for a social service intervention delivered by a service provider, for instance a charity. If the service provider achieves agreed-on outcome targets for a specified cohort of service recipients, investors are repaid by the government along with performance-based interest rates. If the service provider does not hit these targets, investors lose their investment (Rangan and Chase 2015). While investors are facing a financial risk, service providers bear the reputational risks of failing to achieve targets.

Since their inception, SIBs have been the object of never-ending modifications and adaptations, putting into question representations of their uniformity and consistency. Also, the concept has geographically traveled and evolved, resulting in variegated articulations depending on socio-spatial contexts and social issues to be addressed (Dear et al. 2016). Therefore, it makes sense to speak of a relatively fuzzy market-oriented social policy instrument that has proliferated around some genuine principles and become a malleable frame for governments to address a wide spectrum of social problems.

The SIB-financed projects investigated for this study formed part of the Fair Chance Fund, an initiative by the Department for Communities and Local Government (DCLG) developed as a response to an alleged support gap for young homeless people in the United Kingdom. The £15m fund pays the outcomes of seven identical SIB-financed projects that were awarded to seven

recorded, transcribed, and coded in MAXQDA on the basis of a qualitative content analysis approach following Kuckartz (2014). The coding procedure consisted of two iterative coding steps, including an inductive initial coding phase and recoding the material with an integrated, adapted code system.

English charities after a one-year tendering process. Running between January 2015 and December 2017, the schemes aimed at bringing cohorts of 18-24 year-old, unemployed, and homeless individuals into accommodation, employment, education, and training. Cohort sizes varied across the projects: depending on the submitted bid by the charities, numbers ranged from 150 to 340 individuals (DCLG 2017).

Advertised as vehicles to spur and test innovative welfare delivery models (interventions), SIBs draw on various evaluation techniques to validate the efficacy of these. What is less obvious, however, is to what extent technical devices, such as performance targets, benchmarks, and other evaluation techniques, actively shape certain intervention styles. This is discussed in the next section.

2.1 SIB Designs: Financial Logics and Rationalities of Governance

As a social policy instrument that promises to produce economic value and measurable social impact, SIBs are designed around a set of rules and calculative devices that perform the tasks of commensuration, that is, "the transformation of different qualities into a common metric" (Espeland and Stevens 1998, 314). In doing so, these so-called valuation devices enable the qualification of commodities, create calculative agencies, and facilitate valuation and capitalization (Callon and Muniesa 2005; Muniesa et al. 2017).

The impact investing and SIB landscape is characterized by a large diversity of valuation devices (Chiapello and Godefroy 2017). Depending on the specific case, they comprise a heterogeneous assemblage of calculative tools, experimental methods, outcome metrics, benchmarks, etc. These assemblages measure the social impact established in the course of a welfare intervention in financial terms, indicate the amount of savings for the state and give an idea about the overall performance of the respective service provider. To date, in a large number of SIBs social impact has been measured on the basis of randomized controlled trials by comparing averaged performance differences between intervention groups and control groups (Disley et al. 2011). Yet, recent years have seen a trend towards valuation designs that equate social impact with the achievement of individual performance outcomes by service recipients. In this variation, an outcome tracker, i.e., a set of individual outcome targets with assigned price tags, functions as a mechanism to manage, organize, and evaluate charity activities. Commissioning government agencies then pay investors the corresponding prices for each achieved outcome.

The Fair Chance SIBs drew on a similar valuation design. The commissioning government agency, the DCLG, defined a set of 21 individual outcomes along the dimensions of accommodation, training, education, and employment. For each outcome the DCLG assigned a price tag that was to be paid to the investors of the SIB[2] after presentation of a valid piece of evidence which proved its achievement (DCLG 2014). Thus, unlike other SIBs where outcome payments were dependent on the averaged performance of an intervention group, in this example payments were staged and tied to the performance of each individual program participant of the cohort. The following table shows the stipulated outcome metrics and price tags as signposted by the DCLG.[3]

Table 1: Outcome Metrics and Corresponding Tariffs for Fair Chance Fund Projects

Initial, Second, and Third assessment	£500, £500, £200
Move into accommodation	£500
Accommodation sustained for 3, 6, 12, 18 months	£1,500 each
Entry into Education or Training	£500
Individuals first Entry level qualification	£1,500
Level 1 Qualification	£2,500
Entry into Employment	£500
13/26 weeks part-time employment	£3,000/£2,000
13/26 weeks full-time employment	£4,500/£3,500
6, 13 weeks volunteering	£500 each
20, 26 weeks volunteering	£250 each

Source: DCLG 2014.

If, for instance, a young person was successfully housed for three months and had been working part-time for 13 weeks, investors could claim a total amount of £5,500 from the government department after the service provider had delivered corresponding evidence material. Additionally, the DCLG determined a set of rules and regulations concerning the use of this outcome tracker. This included, for instance, a maximum payment of £17,000 per individual. Furthermore, the DCLG specified valid evidence material required to make an outcome claim such as a signed letter from a landlord or a copy of a wage slip (DCLG 2014).

Financial logics and de-risking mechanisms played a crucial role in the design processes. Decisions on what types of outcomes should be deployed were guided by practical questions regarding measurability and whether financial accounting techniques could be used. A DCLG report holds, for instance, that sustaining accommodation, employment, and education outcomes represent "effective proxies for other important, but more difficult to measure outcomes,

2 In six out of seven projects, outcome payments to investors were channeled through a special purpose vehicle in order to mitigate against financial risks for charities.
3 It is important to note that these prices reflect the maximum tariffs the DCLG was willing to pay. The DCLG recommended charities bidding for a SIB to offer discounts on these tariffs to increase their chances to win the bid (DCLG 2014, 20).

including reduced offending, improvements in mental health, confidence, engagement or substance abuse issues" (DCLG 2014 appendix). Also, the maximum tariffs for each of these outcomes were defined on the basis of the Greater London Assembly Rough Sleeping SIB where similar outcomes existed, maintaining that "accommodation and education, employment and training outcomes can be effectively priced and are practical to measure" (ibid.). Cooper et al. have shown for the London SIB that accounting technologies such as average net present value calculations were used to gauge the "cost of short-term interventions, such as temporary accommodation, reconviction costs, and unplanned hospital use" (Cooper et al. 2016, 72).

Moreover, the valuation infrastructure that enabled measurement and valuation of social impact and organized outcome payments to investors was a joint effort by DCLG bureaucrats and impact investors. According to an interviewee involved in the Fair Chance design team, one of the biggest challenges was to design it in a way that both incorporated the agenda of the DCLG and considered financial actors' requirements regarding risk and return. For this reason, the interviewee remarked, outcomes had to be implemented that functioned solely as a means to de-risk the scheme, trigger early cash flows and make it more appealing for investors:

> We had to […] de-risk it, to allow the money to flow in. […] We had basically some early processed payments which primed the program, de-risked it sufficiently for investors and third sector providers. And the assessment and some early milestones of sustaining tenancy were there, which evidence-wise were quite hard to link to an end outcome. So arguably, in a pure SIB theory way, were no payments linked to an outcome, but they were necessary to make the program attractive enough. (interviewee design team)

Hence, some of the outcomes were not linked to any considerations regarding social impact and only served investor interests. Also, outcome metrics were deployed according to the intervention style championed by the DCLG at that time, i.e., a support style centering around personalization. For example, staged milestone outcomes were set to "force an organisation to stick with the same individuals for three years […]" (ibid.). By rolling out milestone targets for each individual, the DCLG ensured that service providers tailored their services, sustained support over the whole course of the project, and provided services to the whole cohort. This last example also gives some indication of the extent to which the SIB emerges as a tool to address social problems and can be equipped with concrete ideas about how this should be done. This becomes even clearer when looking at the intervention suggested in these projects.

2.2 SIBs and the Rise of Behaviorally-Inspired Welfare Interventions

In a close interplay with experimental methods and evaluation techniques, SIB interventions are often suffused with behaviorally-inspired logics, reflecting the rising importance of behaviorism or soft paternalism in social policymaking in both the Global North and South (Berndt 2015). Particularly in the UK, a wide range of such initiatives have gained a foothold over the past decade as a result of intense governmental efforts (Jones et al. 2011; Jones and Whitehead 2018). Put simply, models of behavioral and experimental economics understand social problems such as poverty, recidivism, homelessness, etc. as resulting from behavioral failure, cognitive deficiencies, irrational decision making, or even a lack of "character capital" (Gandy et al. 2016). Behavioral economists claim that our behavior "is guided not by the perfect logic of a super-computer that can analyse the cost-benefits of every action. Instead, it is led by our very human, sociable, emotional and sometimes fallible brain" (Dolan et al. 2010, 13). In short, by bringing to question the role of emotions, behavioral economic and economic psychology appears to be a challenge to the rational economic agent (Pixley 2012). This is a perspective that (seemingly) departs from idealistic conceptualizations of human beings as fully rational, means-to-ends oriented, utility maximizing. Instead, it points to cognitive insufficiencies and irrationalities that need to be pulled in line and characters that need to be restored. To this end, behavioral economics mobilizes two seemingly diverging logics: there are, on the one hand, concepts that instigate self-management and trigger greater personal responsibility (Dolan et al. 2010; Burd and Hallsworth 2016). On the other hand, it draws on more or less subtle disciplining strategies (such as text messages) that aim to nudge allegedly deviant or self-harming behavior into the "right" direction (Thaler and Sunstein 2008).

Against this background, it is little wonder that these logics also shaped the interventions rolled out in Fair Chance projects. Although no explicit references to the behavioral script can be found in official documents, the suggested interventions drew on elements widely discussed in policy papers by the UK Behavioural Insight Team (BIT), a think tank closely connected to the British government. This particularly concerns a strong emphasis on the personalization of (public) services, the use of messenger effects (e.g., personalized text messages from support workers) and commitment devices which all aim, in one way or another, to make service recipients commit better to the service, be more responsive, or to incite them to take more self-responsibility (Dolan et al. 2010). For instance, building on experiences from the London Homelessness SIB, the "navigator" model was expanded and tested in Fair Chance. Rather than only pursing a "housing first" strategy, this intervention emphasized the idea that intense personalized interventions and sustained support provided by a "navigator" should be given priority (DCLG 2017; see also Cooper et al. 2016, 70). For this purpose, personal support workers, sometimes referred to as “life coaches,” were assigned to service recipients “to offer a single point of contact to guide the participant through the project and provide intensive support, on a flexible basis” (DCLG 2017, 18). Therefore, interventions were specifically tailored to individual needs and based on a relationship with a support worker who was not only responsible for administering the “hard” outcomes but also dealt with personal issues of recipients in daily life. Furthermore, in all seven projects, charities were working with the “personalisation” or “maintenance” fund (DCLG 2017, 22). This was a fixed budget allocated to each program participant, allowing support workers to pay individually for personal expenses or incentives.

In sum, this makes for a social policy instrument with a dual nature. One the one hand, it is a perfect showcase of financial marketization, that is, a marketization serving to capitalize social problems. On the other hand, however, SIBs also come with a host of assumptions about the causes of poverty and include ideas and strategies to enroll users and implementers in ways that match the political and financial objectives of the commissioning government agencies. Considering this, the remainder of this paper unpacks the ways the projects unfolded and highlights some of the consequences for support workers and service recipients at the level of everyday practices and interactions.

3. Diverse Articulations: Compassion, Behaviorism, and Market Rationality

Marketization scholars maintain that marketization cannot be understood as a story whereby market logics translate downwards and unfold on the ground in unambiguous ways. Instead, marketization should be approached as a process which is always-in-the-making and crucially includes moments where the market/nonmarket divide is blurred. Concrete market arrangements, in turn, are described as diverse and proliferative of forms, that is, entities where diverse logics – economic and non-economic – entangle and combine (Berndt and Boeckler 2011). Similar dynamics can be observed when looking at the effects of this SIB on the level of practices, interactions, and relationships. In the SIB context practices and relationships are not simply formatted according to a neoclassical market script. Ironically, or counter-intuitively, marketization proliferates and builds on emotional work, but is at the same time also disrupted by the emotional register. Three interconnected aspects will be discussed in this section.

First, performance targets changed the way the charity operated, and one of the unintended consequences was that it also transformed the relationships between charities and service recipients from rather routinized into more flexible and informal ones. This is reflected by a shift away from a punitive logic common in welfare-to-work schemes and a drive towards an open-door policy by rendering participation completely voluntary: rather than being signed off or rejected, program participants could "dip in and out of the program when they're ready," a support worker explained, "rather than me saying, 'no, you're gonna be doing this, this and this'. They can literally turn around and tell me to go away, not seeing me for a couple of weeks but knowing that when they're ready, they can come back straightaway" (support worker 11). In other words, participants were welcomed even after long periods of disengagement or disappearance, did not have to run through the referral process again, and could resume working with their support worker. In addition to this, neither benefit payments were affected nor sanctions were imposed for missed appointments, disengagement, or anti-social behavior: "They can come here and swear and shout […], throw a chair. You know, we don't throw them out and say you can never come back" (support worker 8).

The reason for this was twofold. First, as decreed by the DCLG, service recipients could not be signed off and replaced by other eligible individuals, arguably preventing charities from only working with "less complex" individuals while side-lining problematic cases, that is, problematic from an outcomes point of view. Second, charities were forced to keep engagement rates with the service as high as possible in order to achieve the projected outcome targets and keep the program financially afloat. Normally, an interviewee stated, "if these outcomes weren't there, the file would be closed and that would be it" (support worker 25). Not surprisingly, for many support workers a punitive approach was therefore considered as counterproductive, leading to disengagement, refusal, and resistance and jeopardizing the success of the project. In turn, these informal, voluntary ways of interacting laid the groundwork for more trusting and stable relations with the service provider, which were represented as one of the key reasons why outcome targets were achieved. A support worker stated that once recipients understood this voluntary and non-punitive mentality, this would facilitate relationship-building, allowing "the mentor […] to sort of make their head way in to them and [achieve] more of a buy-in. So, I think that has helped with the targets and the outcomes" (support worker 8). It therefore dawned on the charity staff early that in order to keep people engaged, other strategies needed to be applied. They agreed that a strict focus on "hard outcomes" was not tolerated by service recipients and lead to disengagement. Instead, rather counter-intuitively, a focus on interpersonal relations, trust, and soft outcomes, i.e., non-remunerative improvements or achievements, became more important.

A second aspect, resulting from this informal, open nature of the service, concerns the way in which strategies of emotionalization and narratives of compassion and reciprocity were increasingly mobilized – yet rarely without referring to the economic logics of the scheme. In order to achieve outcomes, support workers had to engage in an ambivalent boundary play between professionality and friendship, between being directive and compassionate, and between controlling and helpful. An interviewee remarked, for example, that she would keep relationships with recipients "completely professional. […] But I think you've got to sometimes let your guard down that little bit to build a relationship with them, because if you don't have a relationship, they're not gonna tell you anything" (support worker 23). Thus, shifting relations to a temporary friend zone was deemed beneficial to figuring out further pathways and building up "relationships that allows to support clients effectively and to get the end outcome" (support worker 22). In this context, emotional competencies, empathetic dialogues, and patient listening became important factors, allowing support workers to gain access to the personal, intimate worlds of the recipients. As one support worker put it, "they want to come and tell you they're pregnant or […] the sexual abuse in the family home or domestic violence, whatever. We need them to be able to tell us because if they're not, then we've lost them" (support worker 1). The importance of being listened to and not judged was also expressed by one young woman who emphasized that "it's just so nice having someone else that I can talk to other than my family, about stuff" and not feeling "like they're judging me" (young person 6). In this light, charity staff had to assume the roles of pseudo therapists and trusted persons, thus replacing the formal and bureaucratic style prevalent in other welfare services where "the clients get looked at and assessed but […] don't get listened to" (support worker 10). It is not surprising that this personalization strategy was ever more successful when it involved two characters that chimed together. Hence, team managers sometimes recombined pairs of support workers and recipients in an experimental way in order to find matching characters where there was a "buy-in" and no "clash of personality" (support worker 1).

Consequently, this compassionate style did not only ensure ongoing engagement but also spurred a sense of reciprocity and mutuality which could be instrumentalized to achieve outcome targets. A staff member, for instance, speculated that they achieved most of the outcome targets "not because that we're like, 'we need to get this outcome.' I think it's because we engage so well with the clients and offer that much support […] that the clients are willing to do things back to help" (support worker 23). This was also expressed by an interviewed young man who remarked that the project revolved a lot around reciprocity: "if you make an effort, they will give something back" (young person 5). Having a reciprocal relationship particularly facilitated the strenuous work of collecting evidence material, or "chasing the evidence," as this could often be done by the recipients. Hence, in a setting were everything was eventually geared towards achieving outcomes and financial performance, compassionate relations ironically appeared to be the only possible entry point to keep service recipients engaged.

However, from a staff point of view, these experimental boundary games could also be risky. While the double play of emotionalization and professionalization helped stabilize relations and conjured up a reciprocal rapport, it was also a source of friction. An interviewee pointed to these problems, maintaining that “it’s a fine balance without being in somebody’s face and getting accused of stalking them and pestering them and hunting them down […]. Wherever they go, they turn and we are there, you know. There’s a fine balance between that and letting somebody know that we’re here if they need us” (support worker 22). Indeed, charity staff often found themselves navigating a contested zone where compassionate support and controlling/monitoring practices came to lay unpleasantly close to each other. Too quickly, it seemed, empathetic strategies would turn into monitoring practices, particularly when modern communication technology was involved. For instance, social media like Facebook or WhatsApp were used in one charity as a means to monitor personal lives, leisure activities and relationship statuses, providing support workers with useful information about whether an outcome target was about to be lost or needed to be secured.

It is not surprising that some staff members problematized this emotionalization of relationships and their instrumentalization for financial ends. For instance, an interviewee criticized the precarious nature of these friendships, remarking that she would “try to keep it a bit of arm’s length because you’re catching a lot of people at the lowest step who maybe don’t have a lot of positive contacts. And if you then allow them to think you’re a friend, then you’re only setting them up to be let down at the end of it” (support worker 24). This was not a simple endeavour, however. In a similar vein, the young people themselves engaged in this double play, trying to push, transgress and modify boundaries, but then, all of a sudden, erecting them again. There were many examples where they would list their support workers as emergency contact due to a lack of other trusted persons. A support worker thus commented that “sometimes they see me more as a friend and I have to reinforce that, you know, I am working. Those boundaries are there” (support worker 14). Likewise, an interviewee described the relation with her support worker as “more sort of friend relationship” (young person 6), while another young man wished for the friendship with his support worker to continue after project’s end as “he’s more than a social worker, he’s like my brother” (young person 5).

And in some paradoxical cases, the boundaries were blurred to the extent that it was not clear anymore who was the recipient and who the provider of help and support. As charities were dependent on evidence material to prove outcome achievements, charity staff often had to “chase” or “pin down” reluctant individuals. Sometimes it occurred that they withheld those documents, as one interviewee reported: “[T]here’s some that know exactly what the scheme is. I have one client […] and he’s worked and he won’t give me any employment evidence. […] And I’ve tried and tried and tried […] to get it from him but he said, ‘No, no! You can’t have it.’ […] I mean, it’s his, it’s his” (support worker 25). This paradoxical reversal of care roles also indicates that market-based policy interventions such as SIBs sometimes do not only act differently to the intended political and economic objectives (Higgins and Larner 2010, 5) but can even undermine and jeopardize these goals.

A third dimension radicalizes these emotionalized conditions and adds a psychological nuance to them by drawing on templates from the behavioral script presented above. In this respect it is important to point to the role played by a therapeutic practice called cognitive behavioral therapy (CBT). This is an intervention widely used in psychotherapy which has traveled into young people's welfare services and was also used in the New York recidivism SIB. CBT is based on the premise that "beliefs, attitudes, and values affect the way people think and how they view problems. […] Cognitive behavioural therapy is designed to restructure distorted thinking and perceptions, which in turn changes a person's behaviour for the better" (Rudd et al. 2013, 29). An employability coach for one of the services who implemented CBT described it as an approach that would help the young become more self-responsible, make them understand the consequences of their decisions and tease out their aspirations. Apparently, the idea was to conjure up ideals of self-responsibilization and self-actualization, as became clear in a conversation with a participant: "It's because of Fair Chance that I wanna start my own company. It's because of Fair Chance that they even put that idea in my head. It's that kind of shaping my destiny that Fair Chance has helped doing […]" (young person 4).

What is more, following the behavioral script introduced above, disciplining techniques were mobilized in parallel. This included nudging techniques, that is, the construction and management of incentive structures that "significantly [alter] the behaviour of Humans" (Thaler and Sunstein 2008, 9). This took concrete form as cell-phone text messages or Facebook messages reminding service recipients to do certain things, such as signing and returning important documents to the charity regarding housing or employment situations. Another young man reported that he got "messages on a daily basis saying, 'Hi [name], you're alright?' Just general inquisitive behavior like a friend would do" (young person 4). Additionally, charities systematically conducted house visits or unannounced "house checks" to check the state of the flat and prevent evictions: "The agreement sometimes is, we have access to the property and will do daily house checks, make sure nothing is going on, anything. The buy-in we have from that is being absolutely massive. The targets, the targets, the targets" (support worker 1). As witnessed during house visits, support workers would try and persuade service recipients to attend a particular education course, comment on the hygienic situation but also take note of the immediate social environment the person was living, i.e., the neighbors, partners or children. Hence, interventions did not only address the subject itself but extended to proximate social relations.

In sum, rather than being neutralized by economic principles underlying the SIB, emotionalization and affect seemed not only to vividly proliferate but also laid the groundwork for subsequent valuation and capitalization. Following Zelizer (2011), this is clear evidence to suggest that mixing intimacy and emotions with economic rationality does not result in inefficiency and failure. In contrast, this fusion of market repertoire and emotions appears to be the centerpiece of emotional capitalism, "where emotions have become entities to be evaluated, inspected, discussed, bargained, quantified, and commodified" (Illouz 2007, 109). Yet, while this emphasis on relationship-building received widespread acclaim, it also became clear that they were of temporary and instable nature, caused irritations (e.g., the flipped relations), and raised (ethical) question as to what extent overdependence was created. Moreover, by connecting welfare interventions to logics rooted in behavioral economics, narrow imaginations about the causes for poverty and controversial approaches to resolve social issues were mobilized.

4. Reinscribing Economic Logics

Concrete market arrangements always emerge at the intersection of economic and alternative logics, standing in a tense, contested relationship (Berndt and Boeckler 2011). Economic reframing processes are always active and, in fact, also necessary: only by reinscribing the separation of the market realm and its various others, "a constitutive market outside […] populated by nonmarket agents that are represented as deviant and in need of help" is created (Berndt and Wirth 2018, 15). This section sheds light on the role of valuation devices in Fair Chance in the reframing of markets or, in other words, the processes (or attempts) of transforming hybrid arrangements into something that comes close to the ideal neoclassical market script. Three intertwined aspects are discussed: the inscription of calculative agencies, the classificatory work of outcome metrics and the stabilizing role of incentive payments.

First, the valuation infrastructure disposed support workers to rationalize, calculate, and take risks. The outcome metrics played an important role in this respect. Openly displayed as a large table chart in the offices or circulating as spreadsheets during team meetings, they became the central mechanism for coordinating and managing interventions. As DeVault (2006) holds, the organizing power and effects of such "texts" within institutions should not be underestimated; as "ruling relations," they help stabilize apparatuses of management and control from a distance (see also Billo and Mountz 2016). This effect on working practices was exemplified by a support worker who was pointing to the salience of monetized outcome targets:

> Before, you got the funding […] and then you did the work, whereas we *see* now the money. [A]s frontline worker you don't normally see [the money], you just get told to do a job and you just do it, don't you? Whereas with this

> payment-by-result we know how much stuff is worth. So, we see it, whereas before we didn't see it. (support worker 21)

Hence, regardless of the diverse personal backgrounds, social work ethics, and work experience, the scheme imposed its very own (economic) logic on support workers, that is, the idea of social progress that can be prized. This is a first hint as to what extent financial logics are performatively actualized via carefully assembled milestones charts, forcing support workers to adopt new perspectives and conceive of service recipients from a human capital point of view. This was of course a source of irritations. For many support workers, for instance, it was hard to make sense of the fact that in some cases, almost no effort was needed to secure an outcome for an individual, whereas other participants with "more complex needs" required huge amounts of time and effort but would not achieve any of the objectives (support worker 21). It comes as no surprise, then, that social work ethics sometimes clashed with the economic rationalities that incited support workers to calculate, take risk, seize opportunities. As one interviewee put it:

> [S]ometimes you might find yourself prioritizing a client you think will get into work so you can get your outcomes more than one that won't. […] But I try not to do that. I try and still check on welfare and things like that. But because of the way it's structured, you'd be more inclined to support a client more that you think will get into work as you get your outcomes. (support worker 25)

Understood from this perspective, support workers themselves needed to become entrepreneurial units or investors, carefully weighing up social work ethics and economic necessities, making trade-offs, considering risk-return, and, thus, enacting calculative agencies. According to the logic of the scheme, this reframing was necessary: it served to delineate economically productive practices from those that were not and, in doing so, rendered associated tensions invisible.

A second aspect points to the long-term, classificatory effects that the use of outcome metrics entailed. In the long run, it stratified service recipients according to the likeliness of achieving certain outcomes. Facing the end of Fair Chance, charity staff had to devise "exit strategies" for those individuals that were still struggling to make ends meet. On that occasion, a team leader of one of the services spontaneously delineated five classes of "clients" that emerged over the three years of the project. A first class included "lead users," those individuals who would go "straight into work, straight into sustaining accommodation." A second, intermediate group comprised individuals that "actually can achieve but their aspirations sort of needed to be pulled into line." Two other groups, namely the "concerning" or "chaotic" ones, were described as participants that might have aspirations but lack fundamental social skills, exhibit mental health issues, and need constant support. A last group, finally, was labeled as the "survivors":

> They haven't really achieved a vast amount because they don't want to. And they're quite happy sat on the welfare system, not doing a lot. […] And no matter how many options you put in front of them, it's not really accepted by the peer group or families […]. I think they will always probably be that generation where they'll go on to have kids and they also will underachieve. (support worker 26)

Even though this ad-hoc categorization seemed to be an informal heuristic for the team leader that helped find solutions for service recipients, the wider social ramifications should not be overlooked: it reshuffled a heterogeneous set of individuals along the economic dimensions suggested by the outcome targets. More importantly, this layering of "clients" seemed to be the result of the framing work performed by the evaluation device, as the team leader continued to explain:

> [T]hat's what payment-by-results does because you can see then the clear gaps because you're observing it in terms of outcomes and who's achieved what. There's a lot more comparison. Because the referrals were all done within one year as well and the project is ending at the same time, it's fairly clear to kind of look at them as one control group and see where the differences lie and see which clients have achieved and fallen into kind of what level. (support worker 26)

Following from this, it appears that outcome metrics functioned as a powerful classification device that stratified and reshuffled a narrowly defined group of young people. In this creative process, new categories are invented which are, in turn, defined by their economic value (for investors) or costs (for the state), and reflect a yardstick for the ideals of a marketized world, that is, human capital, closeness to the labor market, lifelong learning, flexibility, etc. Hence, if SIBs are conceptualized as valuation devices that engage in commensuration processes, that is, bridging value dissonances and aligning social impact with an economic value, we need to acknowledge that new boundaries are created. Or as Espeland (2002) puts it, "commensuration […] transgresses the boundaries we erect to contain sameness. But in this process, new forms of sameness and difference are invented […]." The example above also shows how stereotypes about families with a supposed tradition of welfare dependency or welfare as lifestyle choice (see Slater 2012) are reinforced by this "layering" work. Therefore, the question remains whether such a classification reproduces longstanding preconceptions and pathologizations of a supposed "underclass" and is conducive to its capitalization (Kish and Leroy 2015).

Third, alongside these stratifying and ordering effects of the outcome table charts, monetary incentivization represented another crucial tool to stabilize the struggles over the boundaries between different economic and non-economic logics. Considering the fragile attachments and porous boundaries between support workers and service recipients, incentive payments sought to bring care relations back in line with economic thinking. In Fair Chance, charities allocated a personalization budget to each individual participant. This could be utilized by support workers to pay for personal expenses, i.e., furniture, bus fares, working gear, rent arrears, etc. These micro-payments proved to be very beneficial for young people being in transition phases into a new job or a new apartment; periods often characterized by high levels of precarity, insecurity, and lack of finances. Yet, the personalization budget was also used for payments to incentivize individuals to participate in workshops, trainings, and other activities that were related to an outcome target. Also, some support workers sometimes traded gift cards in return for evidence material in order to make an outcome claim from the DCLG. In doing so, the reciprocal relationships outlined above rather resembled monetized partnerships between "clients" and the charity, as a support worker put it (support worker 22). Hence, framing relations as "partnerships" and recipients as "clients" is indicative for the economizing effects enacted by incentivization techniques.

From a service recipient perspective, incentives were considered as an opportunity to "make a quick buck." It was no secret, for instance, that these strategies were successful in securing the unpopular education outcomes. A former participant illustrated the effects of incentivization:

> [W]e obviously have a hundred pound incentives in terms of supervised spent or gift card for the clients completing the work books. So, if they do the level-1 [education outcome], there's a £100 gift card. "Go get yourself something nice". That's why a lot of the outcomes have come for level-1 really. You start throwing money in their face and they're like: "Oh, yeah, 100 quid." (young person 3)

While these two quotes are a showcase for the economic twist enacted by incentivization, they also show, however, how porous or illusive this imagined, reinstated boundary between rational and irrational behavior is. Incentivization actively plays on the desires of individuals for leisurely consumption, enjoyment, and self-actualization to more or less subtly entice "clients" to participate in corrective programs such as budgeting workshops, employability programs or wellbeing classes. Their apparently irrational behavior, normally situated as being outside the market frame, then becomes an instrumental and constitutive part within.

However, these practices did not stop at capitalizing on seemingly irrational behavior, desires, or aspirations, but advanced further into psychological realms. Incentivization techniques were used to act on the participants' fears, low self-esteem, and mental health issues. An interviewee gave the example of a young woman who, being self-conscious over her acne, was promised a skin treatment as a reward if she participated at a workshop (support worker 16). Thus, while the payment-by-results logic has traveled all the way down to the ground to economize not only charity practices but also "client"-support worker interactions, it seems that "irrational" behavior, desires, compassion, and fears appear as constituent factors of the inside of market arrangements (Mitchell 2007).

5. Conclusion

This paper has explored the ambivalent and contested processes underpinning these SIB case studies, maintaining that two diverging effects can be observed. First, while interactions and relations between charity staff and social service recipients exhibited a strong emotionalized content that was often received positively by all actors, concrete welfare interventions tended to shift their focus and increasingly addressed the minds of people, aimed at their behavior and even extended to their immediate social environment. Second, as a result of the performative logic of marketization processes, strong impulses could be observed to contain or control these ambivalent entanglements and reinscribe economic logics. The performative effects of valuation devices accentuated calculative agencies that forced support workers to calculate risk and returns, make tradeoffs, and skillfully navigate the conflicted boundary zone of social work values and economic reasoning. The heterogeneous group of recipients, in turn, tends to be reshuffled and classified into what could be defined as risk classes along the dimensions of the stipulated outcome metrics.

It makes sense to conceive of these two processes not as mutually exclusive but as concomitant, yet conflictive forces that shape the marketization process of SIBs. Put in the words of McFall et al. (2017, 11), SIBs elicit a multitude of sometimes emotional, social attachments and in doing so produce "forms where the dividing line between society and economy is wholly unclear." Moreover, it is also important to note that these intertwined effects, at the end of the day, lay the groundwork for a successful capitalization of social problems and the commodification of care relations. This reminds us again of the moral fundaments of markets (Fourcade and Healy 2007), the groundlessness of conceiving of economic values and social values as "hostile worlds" (Zelizer 2011), and the crucial role that emotions, sentiments, and psychological techniques play(ed) in the making of capitalism (Illouz 2007).

Even though the (temporary) emergence of such compassionate and affective attachments might have empowering and pleasant effects for those subject to such interventions, the paper has unveiled their precarious and fragile nature. Also, they need to be problematized against the backdrop of a controversial politics of poverty alleviation underpinning social finance. This is a logic of poverty regulation "based on poor people engaging in self-help and individual behavior change – rather than redistribution of resources – [that] is securitized through the architecture of finance" (Rosenman 2019, 143). In that sense, this article charted the rise of a behaviorally-inspired welfare intervention where people's personalities, behaviors, and minds became the center of attention. By breaking non-rational habits, nudging them to certain behavior, and instilling in them ideals of self-help and self-responsibilization, a technocratic and anti-political approach to poverty is mobilized that chimed with the financial requirements of the funding mechanism.

What remains unclear, however, is to what extent these heterogeneous articulations represent unintended side effects/overflows, at times advantageous, at times disruptive, or intended/built-in spillovers that served the financial and political objectives for which the SIBs were deployed. Against this background, it is interesting to see the parallels between the affective governance in SIBs and the rise of what Jupp et al. (2017) call "emotionalised states" or "emotional governance," that is, "a new enthusiasm for an emotionally attuned approach to government which sees emotions as constitutive of the very workings of government and policy" (Pykett et al. 2017, 1). And, given the emergence of behaviorist microinterventions, this also connects to speculations about an additional neoliberal moment of "rolling-in": a form of neoliberal governance that is characterized by a psychological approach to poverty and governmental interventions that address and shape the minds of individual people (Berndt and Boeckler 2017, see also Jones et al. 2013).

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Special Issue: Eve Chiapello & Lisa Knoll (Eds.): Social Finance, Impact Investing, and the Financialization of the Public Interest.

This HSR Special Issue compiles social science research on a relatively new socio-economic phenomenon: Social Finance and Impact Investing. Its promise is to lure private investment and/ or philanthropic capital into the sphere of social welfare. To do so, social wellbeing and social impact become subjects of financialization, entrepreneurialization, and quantification. The venture capital framework and financial principles of due diligence enter the world of the social sector – be it through new impact rating schemes, social responsibility documentation, or innovative welfare state funding schemes such as Social Impact Bonds. This Special Issue brings together empirical research on different cases (public-private development finance, social impact and venture investors, impact rating schemes, social impact bonds, and welfare state reforms) from diverse places (South Africa, Kenya, Italy, the US, the UK, and France).

Forum: Lilli Braunisch, Malte Schweia, Peter Graeff & Nina Baur (Eds.): Challenges for Big Data Analysis. Data Quality and Data Analysis of Analogous and Digital Mass Data.

While big data are one of the oldest social-science data types, their use in research practice has resurged in recent decades due to IT innovations and the emergence of Web 2.0. However, research practice and the methodological discourse on big data fall apart within the scientific community: 1) *Social science methodology* focusses primarily on data quality. The debate in social science communities is almost 150 years old and has revealed the specific strengths and weaknesses of both big data and research-elicited data and also resulted in recommendations on how to handle each data type. 2) *Computational social sciences* primarily focus on data analysis, especially on new analysis techniques and algorithms for evaluating big data. Both research lines are hardly connected, and both have mutual blind spots. This HSR Forum therefore aims at overcoming this divide. It brings up the discussion of how these research lines can complement each other and can be improved by using the findings of each other.

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