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Chiapello, Eve; Knoll, Lisa

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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.

* Eve Chiapello, EHESS, CEMS, 54 Boulevard Raspail, 75006 Paris, France; eve.chiapello@ehess.fr.
Lisa Knoll, University of Hamburg, Faculty of Business, Economics and Social Science, Welckerstr. 8, 20354 Hamburg, Germany; lisa.knoll@uni.hamburg.de.
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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).

[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.

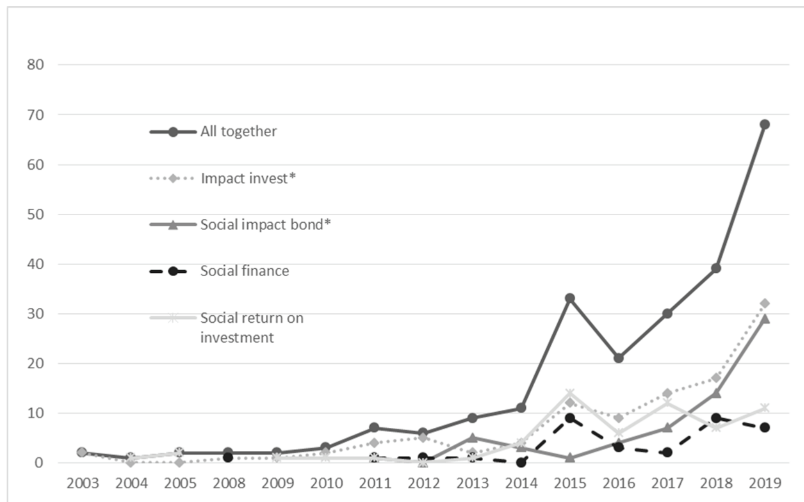
3. Social Finance and Impact Investing in the Literature

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).

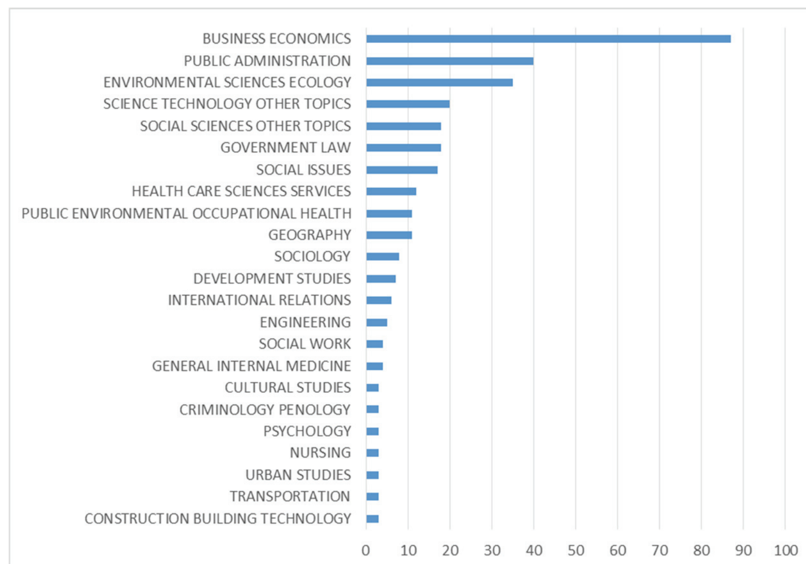
Figure 1: Number of Articles per Year and per Topic[6]



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).

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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