



## Aligning interests, accountabilities and Social Impact Bonds

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The authors examine the case of the first Social Impact Bond (SIB) in Austria and take a closer look at the influence of the – often divergent – interests of the parties involved.

*Key questions:* How do different interests and accountabilities shape the arrangement of a SIB? How do they influence its collaborative governance?

*Conclusion:* Reasons for the failure of the SIB can be found in a loss to align the interests of the involved parties early on. Additionally, imbalanced power structures, a lack of a fair sharing of reputational gains, and conflicts over accountability led to an outcome perceived negatively by the investors.

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### Background

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### Context



- **SIBs are a relatively new financial instrument, with about 200 SIBs active or in preparation worldwide.** Usually, a private investor or group of investors provides upfront funding for a social program. A service provider delivers the program, and the success of the program is measured by pre-agreed social outcomes. If the program achieves the agreed-upon outcomes, a funder, such as a government agency or foundation, repays the investor(s) with a return on their investment. The investor(s) do not receive a financial return if the program does not achieve the social outcomes.
- SIBs involve multiple stakeholders. **Each stakeholder has different priorities and interests, which can create conflicts and challenges.** For instance, information asymmetry and hidden interests can lead to power imbalances. Each stakeholder is also accountable to a different system or population, which can lead to more conflict. **All stakeholders involved also contribute and require different resources, which can create dependencies among them.**
- Most research on SIBs focuses on the policy field they are implemented in (e.g. social work) or the target groups. Technical reports produced by financial institutions or consultants paint a positive picture of SIBs. In academia, **there is a lack of theory-based empirical studies that focuses more on a specific SIB.**

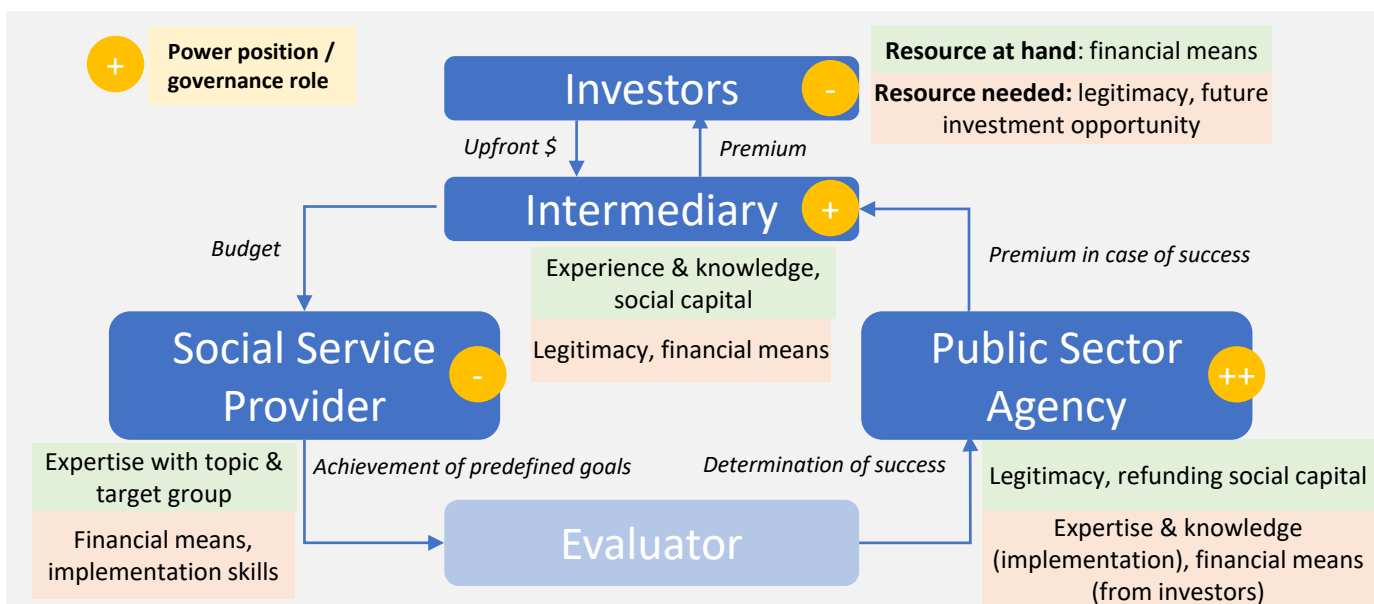
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## Take aways & Learnings



- **The analysis is based on 27 interviews with representatives of all involved parties of the first SIB in Austria, running from 2015-2019.** The interviews focused on the different perceptions of each phase of the SIB, the overall assessment, collaborations, communication, and various aspects of the implementation and termination of the SIB.
- **The SIB did not reach its impact goals, so the investors lost their money.** The ministry and the intermediary still perceived the SIB as a success, while the investors had a more negative view of the SIB. One of their main critiques was that they were excluded from reputational gains from the project and a lack of information on the social project.
- To enhance their legitimacy, **SIBs must ensure that the interests of all stakeholders are adequately addressed and that mechanisms are in place to promote accountability among all parties involved.** The authors argue that while SIBs may theoretically be able to foster social innovation, the challenges of designing good governance processes and the high costs of establishing a SIB (long negotiations, high information requirements,...) are potential barriers to successful SIBs.
- **The authors propose a framework to better identify potential conflicts of interest and roles of SIB and increase transparency.** It includes an assessment of stakeholders, their agency roles, the resources they bring to the SIB, the resources they need from the SIB, the degree of dependence within the SIB stakeholder system, and their power position.



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