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Social Impact Bonds in Sweden:

Structural and operational impediments from experts' perspectives

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- Structural and operational impediments from experts' perspectives

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ABSTRACT

Background and Purpose

Social Impact Bonds has recently received attention in Sweden as a new financing model that might enable increased efficiency and innovation within public service provision. As a financing model, Social Impact Bonds' outcome-based structure, allows increased service provision measuring, enabling increased transparency and new thoughts and practices to be put in place in areas of the social services where problems are prevailing. To date, there are only a few Social Impact Bonds launched in Sweden and the model fit within the Swedish Welfare State is not widely understood and researched. As such, this study aims to illuminate how the experts involved in the first Social Impact Bonds in Sweden have worked with this model to ensure successful implementation in Sweden. Further, the study has viewed the Swedish Social Finance Infrastructure to assess how well it can facilitate Social Impact Bonds in its current state and possible areas of improvement for the future.

Methodology

For the study, a comprehensive literature review on Social Impact Bonds was performed culminating in an understanding of where the field currently is, in terms of maturity, in Sweden. The literature review was followed by qualitative semi-structured interviews with experts within Social Impact Bonds in Sweden.

Findings and Conclusions

One of the main findings in the study is that the Welfare System of Sweden, which can be considered extensive in comparison with many western countries to date, has affected the implementation of Social Impact Bonds to the extent that the authors coin the term Swedish Social Impact Bond (SSIB) to emphasize the difference. The effects resulting from this include a larger need for specialized experts to assist in the implementation of the SSIB and a need for increased Pro-Social Finance fiscal and regulatory policy.

Keywords: *Social Impact Bonds, SIB, Social Finance, Social Entrepreneurship, Pay for Success, Social Impact Investment*

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Gothenburg, June 4, 2020

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1. Introduction

1.1 Background

The modern welfare state found around the world was developed during the post-war world which was characterized by among other things full employment, stable traditional families, and low female employment. As time has passed and our world has changed, a lot of new social problems have arisen such as increased unemployment, dependencies on drugs, and new family structures. As such, the welfare state is under pressure as costs are increasing while societies want the burden of the welfare state on the economy to decrease. Given the current situation and the widely accepted notion that large systems like a modern welfare system are slow to innovate and change, it is the opinion of some that social entrepreneurs are the actors that can introduce this innovation into these systems. (Leadbeater, 1997)

Social entrepreneurship is about *identifying* stable but unjust equilibria that cause exclusion, marginalization, or suffering for a group of people without the ability to alter it by themselves. *Acting* on opportunities to challenge the stable equilibria and through said interventions, *forge new stable improved equilibria* that alleviates said the suffering of the target group. (Martin & Osberg, 2007) Social entrepreneurs are individuals who observe the failures or the neglected areas of the welfare state, observe an opportunity, and act on it (Thompson, 2002). Social entrepreneurs, however, voice a need for financial support as mainstream financial institutions can be marginalizing towards social entrepreneurs due to risks associated with the investment (Moore et al., 2012). Financing for social entrepreneurship can enable social innovation by challenging institutional logics that are in place. One such new strand of research within social entrepreneurship focuses on the role of social entrepreneurship in filling the market gap between the private and public sectors (Hill et al., 2010). With the current pressure on decreasing costs and downsizing of the welfare state in Sweden, which can be viewed as large by international standards, a new field is emerging for social entrepreneurs (Alamaa, 2014). One new mechanism emerging within this field is the Social Impact Bond (SIB).

A SIB is a "pay-for-success" model, where an investor, usually private but possibly also public, finances a social intervention, and if proven successful, the bond issuing entity, which can be the government or a private entity, re-pays the investors their principal with interest. If the intervention is unsuccessful however, there is no payout and the bond issuing entity does not have to pay. This means that the bond issuing entity only pays for successful interventions, taking on no risk of paying for unsuccessful interventions (Disley et al., 2015). Usually involving four to five different parties; bond issuing entity, investor, service provider, outcome payer, and an objective evaluator, the social impact bond has recently gained attention internationally with advocates arguing that it can enable creative social service delivery partnerships (McHugh et al., 2013). The first SIB was introduced in 2010 in the UK by the non-profit organization *Social Finance* and the Ministry of Justice in an attempt to lower prison reoffending rates in Peterborough (Bolton, 2010).

Along with the growth and diversification of the social finance sector, there are calls for more variation in the sources of financing and many new sources are developing in Sweden, of which SIB is one (Alamaa, 2014). In Sweden, a few SIBs have been launched like the projects in Norrköping (Leksell Social Ventures, 2019) and Botkyrka/Örnsköldsvik and there are currently a few more in the planning phase (Social and Health Impact Center, 2020)

SIB in Norrköping

The first SIB in Sweden. The aim of the project was to improve the situation, support and school results for the municipalities out of home placed children. A side project goal was also to try out a new social investment model with cooperation between an external financier and the public. Part of the hopes for trying out this new model was that it would bring with it an increased focus on outcomes, measuring outcomes and multi-party model development. In the project, Norrköpings municipality created a task force of selected individuals to assist in decreasing replacement for the children involved. In addition to this an external tutoring firm was hired to assist the children with their schoolwork. In terms of outcome measures the project measured changed social services costs, post project costs compared to historically expected costs, and school results, prior and post the project. (Norrköpings kommun, 2016)

In the SIB, investor Leksell Social Ventures (LSV) financed the interventions of the task force and the tutoring with a contract stipulating that LSV, depending on success of the interventions,

could be all the way from partially repaid the principal if the intervention was carried out according to contract, and up to full repayment with a profit if the interventions were successful and certain public savings were achieved. (Norrköpings kommun, 2016) The project has not yet been evaluated, final report is expected in 2021, and thus the success of the project has still not been determined.

SIB in Botkyrka/Örnsköldsvik

The combined SIB in Botkyrka and Örnsköldsvik sought out to reduce the number of sick-absence days taken by employees within municipality run workplaces. The SIB was preceded by a study conducted in seven municipalities measuring the costs, and potential future costs, of sick-absence days for the municipality. Findings were that per year, the costs of the sick absence were equivalent to 54 700 full-time positions. One specific group was found to be more at risk to take out repeated sick-absence days than others, and the choice was made to target an effort towards reducing these by a method funded by a SIB. Contrary to traditional SIB where investors, and oftentimes service providers, are private actors, this SIBs investors were governmental, and the bond issuing actor and service provider municipal. (Social and Health Impact Center, 2020)

When implementing a new social financial model into a country, challenges will arise. The model is young, and more research is needed to validate how well SIB can fit into Sweden's welfare system. With this apparent gap in the literature concerning SIB in Sweden, the authors have decided to further examine the subject.

By combining perspectives of experts in this field, in Sweden, the thesis offers empirical insight into the challenges for SIB in Sweden. Using two frameworks developed on impact investments, "Social Impact Investment Infrastructure Framework" (Schwartz et al., 2015) and the "Social Impact Bond Diagnostic Framework" (Muñoz & Kimmitt, 2019), in combination with expert interviews with Sweden's most experienced SIB implementers, reports, and studies, a proposal on infrastructural developments and actions to decrease the complications related to SIB will be provided.

1.2 Purpose and Research Question

The purpose of the thesis is to further explore SIB in Sweden. The authors have taken a closer look at the intricacies identified by experts with first-hand experience of SIBs. What the authors have found is that foreign observed complications and critique of SIBs might not be identical to the issues identified in Sweden, as our welfare state is in a sense unique. As such the authors pose the research question to determine and illuminate how the Swedish context affects the implementation of the SIB.

How are project stakeholders dealing with the intricacies involved in practically implementing a Social Impact Bond in Sweden?

Further, how the Swedish social finance infrastructure affects the development of a SIB market in Sweden and how it might evolve in the future for the benefit of SIBs is of interest. As of writing this, a few SIBs have been launched in Sweden like "Norrköpingsmodellen", the first notable collaboration between the municipality of Norrköping and Leksell Social Ventures and the Örnsköldsvik/Botkyrka project. However, SIBs are still a new model, and uncertainty remains on its future use in Sweden. Based on the stated goal of this thesis, the sub research question has been identified

How can the Swedish Social finance infrastructure be developed to facilitate a growing market of Social Impact Bonds?

The research questions will be tested by a thorough analysis of primary and secondary data. The secondary data consists of academic literature, theory, and reports. The primary data consists of the empirical findings from our conducted expert interviews.

1.3 Contribution

By collecting empirical findings, expert opinion and insight on SIBs in Sweden, the contribution that the authors aim to achieve is to identify the structural, in terms of lacking infrastructure in Sweden, and operational, in terms of complications in the preparatory and implementation stages, of SIB in Sweden. The hope is to, by using earlier conclusions and insight of SIB in combination

with the identified academic literature and theory, add to the corpus of Swedish SIB literature and identify the most interesting areas in each of the above-mentioned areas.

2. Literature review

This chapter presents the literature used in the thesis. It starts by going in-depth with what a SIB is, where it came from, how it is used around the world, and common critiques targeted at the method. Following this, two academic frameworks will be presented that will serve as the basis for the analysis.

2.1 Social impact Bonds

2.1.1 What is Social impact bonds

A Social Impact Bond is a financing model aimed at increasing innovation and the implementation of new methods in the vicinity of the welfare system. The model usually contains four to five entities including a bond issuing entity, investor, service provider, outcome payer, and objective evaluator. The typical case involves a private investor that agrees to pay for a service provider to perform an intervention on the mission of the bond issuing entity, oftentimes a governmental entity, aimed at improving on a societal problem. The problems could be both national and local in its occurrence. (Leksell Social Ventures, 2019).

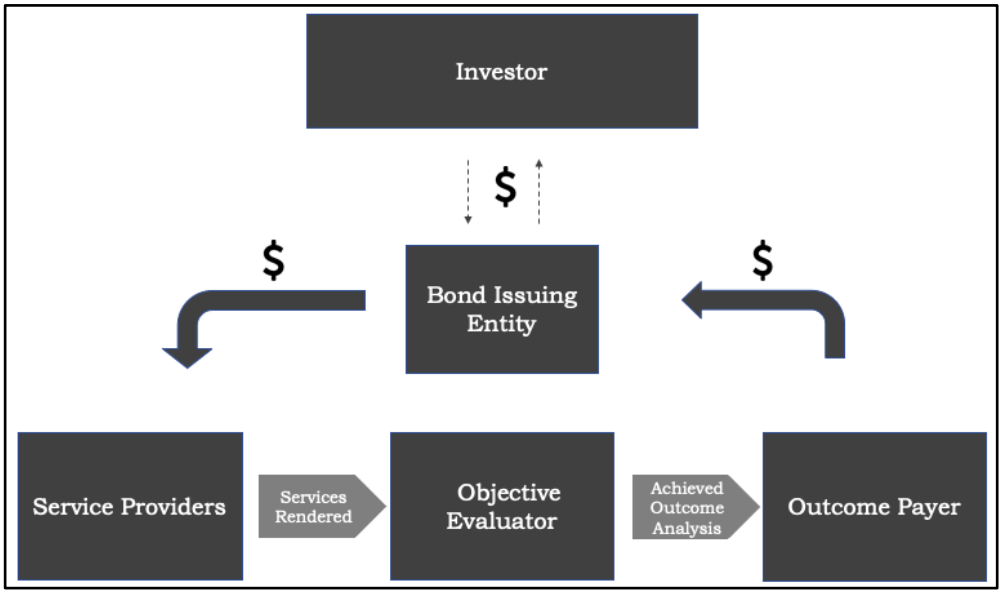

Figure 1: Social Impact Bond Structure Illustration courtesy of: Mattias Juhlin

Typical areas that have been targeted thus far include; prison recidivism, youth crime, and disease prevention. The structure of the SIB is such that successful intervention leads to public savings in terms of decreasing societal costs e.g. prison recidivism, youth crime, and lifestyle-related disease (Anderson & Phillips, 2015). The accrued governmental savings then pay for the intervention programs and repay the investors their principal plus interest (Liebman, 2011). By taking this novel approach, financing social issues interventions with private funds instead of public, which is historically accurate but not necessarily the case, the financial risk of the interventions is transferred from the government onto the private sector. By doing this, intervention success and performance are expected to increase as private entities might monitor investments more efficiently than the public sector (Liebman, 2011; Anderson & Phillips, 2015).

Origin

SIBs were first developed in 2010 by U.K. non-profit organization Social Finance. The first intervention was aimed at reducing the recidivism of former inmates at the Peterborough corrections facility. With funding from Social Finance, interventions were put in place to decrease recidivism, the number of prisoners re-committing crime and returning to prison. The Ministry of Justice agreed to retroactively reimburse Social Finance assuming that a number of agreed-upon outcomes were achieved. (Bolton, 2010) The intervention turned out successful. Based on outcome analysis performed after the intervention, the recidivism reduction was estimated to 9% which was sufficient to meet the minimum 7,5% for the minimum payment to be triggered (Anders & Dorsett, 2017). Since the first successful example of a SIB in the UK, more SIBs have been employed with over 138 SIBs launched worldwide as of writing this (Social Finance, 2020a). Outside of the UK the global investment bank Goldman Sachs has been active in the development of the SIB industry in the US (Goldman Sachs, 2014).

The bond issuing entity is typically an entity with an interest in facilitating social reforms and change. This is the actor who is in charge of the project. Examples include; Social Finance (Disley et al., 2015) and MDRC (Berlin, 2016). The service providers are either non-profits or for-profit businesses acting as contractors in the SIB. They are getting paid for services rendered. The role of the objective evaluator is to evaluate and measure the progress of the project. Examples of objective evaluators include SKL, now SKR, (Leksell Social Ventures, 2019) Deloitte (The Benevolent Society, 2018), and The Vera Institute of Justice (Berlin, 2016). The

objective evaluator is present for increased transparency as investor returns are depending on the outcome measures of the project. The evaluators should be independent to prevent moral hazard issues in terms of investors trying to manipulate outcomes to maximize profits. Finally, there is the outcome payer, oftentimes the government like the Ministry of Justice in the case of the Peterborough pilot (Disley et al., 2015) and private foundations like the Bloomberg Philanthropies in the case of the Rikers Island SIB (Anderson & Phillips, 2015). The outcome payers agree to retroactively pay for the interventions implemented if efficacy can be established and predetermined outcome measures are met at the end of the program.

2.1.2 Possible benefits with Social Impact Bonds

As the use and implementation of SIBs thus far has been limited, gathered data should not be considered facts but rather inference drawn based upon the limited sample that currently exists. That said, commonalities, in terms of benefits, have been found based on early implementations of SIBs which will be mentioned below to illustrate the characteristics of SIBs.

Transfer of risk

One of the main issues when it comes to innovation and new projects within the government is the matter of how exposed to risk they are. As resources are limited the government often has to prioritize what areas and projects to fund. A further problem is that the government can lack the resources necessary to determine the correct and most efficient projects to fund. These factors can lead to slow innovation adoption and lacking performance. (Anderson & Phillips, 2015)

SIBs can enable the bond issuing entities, oftentimes a government entity, to increase innovation by transferring risk related to innovation to the private sector. Given the nature of the SIB, the bond issuing entity only pays for the project if the outcome is successful. They “pay for success”. If no efficacy can be established and the SIB fails to meet the set criteria, the bond issuing entity does not pay. (Disley et al., 2015)

Increased understanding of projects.

Oftentimes, the responsible parts of government tasked with handling social issues lack resources and competence to mine data to gather insights on currently funded projects (Anderson & Phillips, 2015). As a result, funding to failing programs can persist and as a result, not enough funding might be allocated towards successful programs. To understand if any project has been successful or not, data collection and analysis is paramount. SIBs seem to solve this issue as a result of their structure (Anderson & Phillips, 2015). As private investors need to prove the efficacy of their intervention before the government agrees to pay them in advance agreed-upon reimbursements, they will have to collect the data necessary and perform the analysis needed to prove that the intervention was successful. Once the data has been collected it can be used by the government to make other inferences and further understand their operations (Liebman, 2011).

Accelerate adoption of new solutions

By shifting financial risk related to a project to the private sector, the government can approve more promising innovation projects without any risk of paying for unsuccessful projects (Liebman, 2011). Further, as the SIB is outcome-oriented, it has been found that the amount of flexibility within the project is at an unprecedented level in terms of the ability to, during an intervention, pivot and focus on areas of the project that most likely will lead to a successful intervention, even if this originally was not the focus of the project (Disley et al., 2015). As more data on SIB projects is collected it will become increasingly clear what kind of interventions have shown promise and been successful which can lead to further accelerating innovation adoption.

In addition to these early indicators of benefits resulting from the use of the SIBs, one additional critical and valuable aspect that can be forgotten is that many of the benefits incurred from the SIBs are present whether or not the projects at hand are successful (Anderson & Phillips, 2015). If a project fails, the government does not have to pay. They will however still receive the data and analysis on the project so they can see what worked and what did not. Through this process, they have given innovation an opportunity to solve a problem that the traditional system has not solved by itself (Liebman, 2011).

2.1.3 Critique and challenges of Social Impact Bonds

As with all proposed solutions to existing problems, there will be challenges facing SIBs. Liebman (2011) has identified several challenges including; reaching desirable levels of net returns for investors, finding measurable outcomes, finding clearly defined treatment populations, creating credible impact assessments, and making sure that non-successful projects do not lead to any harm for the treatment population. These are aspects of the SIBs that have to be carefully considered in the early planning phases.

Disley (2011, p.49) reports that "[...]*considerable analytical work was required in defining the outcome measures* […]". This was to be expected however for the first implementation of a social impact bond as it had never before been done. There are already calls for the increased implementation of SIBs in Sweden to drive the development towards a standardized best practice to lower the threshold for new implementations (Leksell Social Ventures, 2019).

Theoretically, SIB investments are repaid from the revenues and/or budgetary savings accrued from successful interventions. As such, there will be a risk tied to the fact that the interventions cannot be guaranteed to work and the potential profits towards investors might not be large enough to attract investors outside of the social investment sphere. So far, in terms of the returns to investors in SIBs, the results are mixed. In the case of Peterborough, the program managed to reach its desired outcome and the investors secured a return (Anders & Dorsett, 2017). Failed examples include the first social impact bond in the US at Rikers Island where the principal was lost (Anderson & Phillips, 2015).

In terms of delivering desirable levels of returns to the investors, what constitutes a desirable return will depend on the chosen project and area of interest. As a benchmark Disley (2011) expected Peterborough SIB to deliver an annual internal rate of return between 7,5%-13% depending on how successful the project ended up being. Returns were pegged to a reduction of reconviction rates by at least 10% in any project cohort. When account is taken to the likelihood of SIB success, the expected return will be lower. Based on this, it is evident that investors might not invest in SIBs on solely financial return. Rather investors appreciate the "blended return" structure of the SIB Disley (2011). With this structure, they receive an appealing mixture of financial and social returns. Liebman (2011) also argues that providing accurate and trustworthy

measurements of project outcomes is a key moral hazard challenge with SIB. As there will be incentives for the private investors to "massage" their data to make it fit with their desired outcome, measurements must be thoroughly planned.

McHugh et al (2013), have studied SIBs in the UK, and three main problem areas are brought up. In line with Liebman (2011), the first criticism focuses on the low level of measurability of social outcomes. The majority of SIB projects focus on *people*; decreasing prison recidivism, providing housing, and so on. Quantifying whether this has been successful or not, or how much better of an outcome that has been created is almost impossible. It is difficult to prove that it was solely the project that made things better or worse. However, since the repayment of the invested money is dependent on these quantifications, it is necessary to try and create some sort of measurable model, a model that might lack accuracy.

McHugh et al. (2013) further argue that there is too much focus on measurability and that SIBs are hard to quantify. As such social problems that are easier to quantify might end up receiving increased focus and funding. Social problems that are harder to measure and might require more attention, can get overlooked and people who need help might not receive it.

Lastly, McHugh et al. (2013) argue that asymmetric information between government and service providers in a SIB can pose a threat to the government and the people. The government will not only be outsourcing the solution to a social problem, but they will also allow the project handler to select the service provider, taking that process away from the usual practice of public procurement. This does not directly mean that it is a bad thing, but it could pose a problem if taken advantage of since oversight will be harder, and malpractice will be harder to detect.

Morley (2019) evaluates the ethical status of SIB in her article and comes with suggestions for regulatory changes that could be made to increase its ethics. The article builds on data from SIBs deployed in the UK that has worked with preventing relapses, homelessness, education, and healthcare. She concludes that although SIB offers many possibilities for improving social care, and that SIBs in practice are not unethical, there are possibilities of SIBs becoming unethical over time. The biggest threats to SIBs are the asymmetric information and power balance between the service provider and the government. Which could provide unethical service providers too much

power. This could lead to denial of service for those in need, cutting corners for profits, and choosing population segments that they believe are easier to help.

2.1.4 Sectoral Distribution

SIBs have been implemented in several sectors to deal with numerous current issues in societies all over the world. Among the most common areas of use for SIBs are Workforce development (32%), Housing/ Homelessness (17%), and Health (16%), (Social Finance, 2020a).

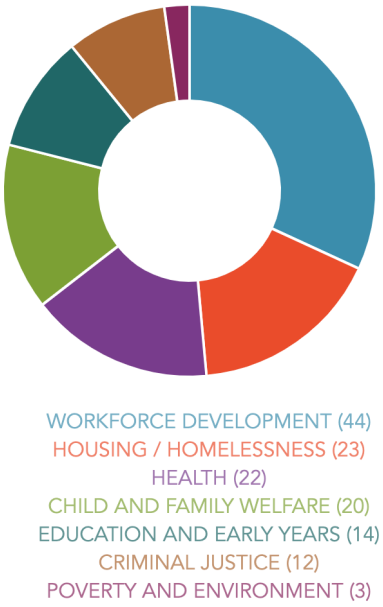

Figure 2: Sectoral Distribution (Social Finance, 2020

2.2 Social Impact Bond Diagnostic Framework

Although there are advocates of SIBs (Liebman, 2011; Anderson & Phillips, 2015) there are also critics and those who believe that SIB might not fulfill its promises (McHugh et al., 2013; Morley, 2019). Muñoz & Kimmitt (2019) have created a SIB diagnostic framework where complications and diagnostic categories are identified to be "central to understanding the extent of SIB feasibility", more specifically in terms of how to find, prioritize social issues, and what methods that can be adopted to inform policy making. Muñoz & Kimmitt (2019) have developed the model with a focus on emerging economies, where considerations of problems such as these

have been limited. Given the universal nature of the identified complications, diagnostic categories, and model structure, the authors of this thesis argue the SIB diagnostic Framework to be a valid framework for SIB in developed economies as well.

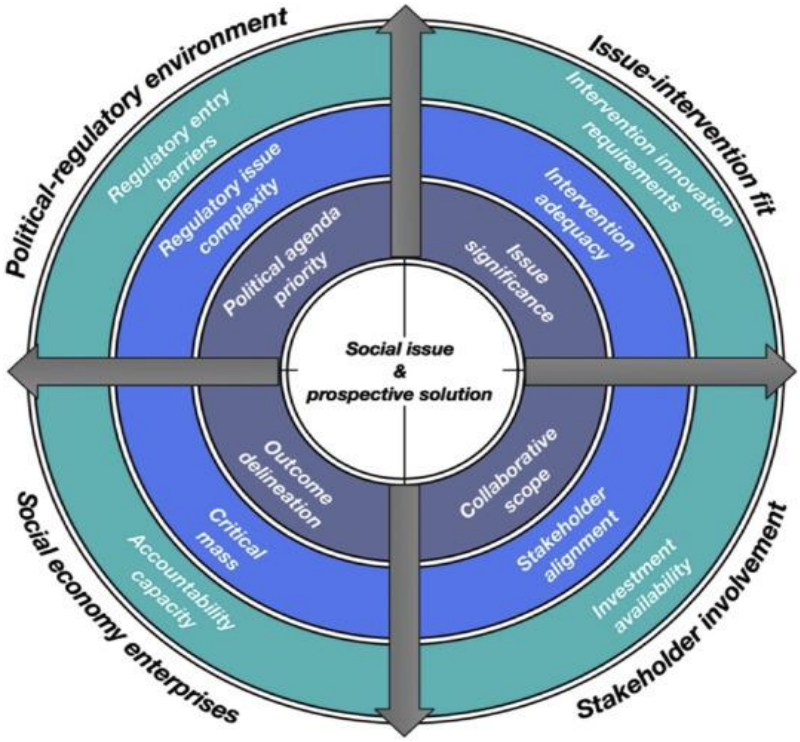

*Figure 3: Social Impact Bond Diagnostic Framework (*Muñoz & Kimmitt, 2019)

The four SIB complications and diagnostic categories identified by Muñoz & Kimmitt (2019) are the following:

Ill-defined social issues and beneficiaries / Issue-Intervention Fit

With SIBs, the selection of social issues is a fundamental part of the model. Given the highly complex and context-specific nature of many social issues, the early stage of the project is extremely important. The interventions chosen to address the social issues must have a certain degree of fit to ensure the success of the SIB. To do this, the social issue, current solutions, and prospective interventions should be given attention. If the SIB stakeholders fail to identify and assess these issues in the project, transaction costs will increase, and the success of the project might be adventured.

Intricate regulation in intervention space & social investment / Political-Regulatory Environment

In setting up a SIB, the regulatory context in terms of complexity and rigidity is important. Included in this is the regulatory framework is the social issue at hand, social investment regulation, commissioning, and contracting regulation. With the rising complexity of regulation, time, and cost of development of the SIB will rise along with it. Political agendas will also play a role as they can mobilize or block the development of a SIB. As such the alignment with political priorities and regulatory complexity must be taken into account in the development of a SIB.

Scattered SIB actors / Stakeholder Involvement

Involving and aligning all included stakeholders within the SIB key for its successful development. If the alignment is not accomplished, issues relating to collaboration, mutual awareness, and altering approaches towards openness can result in tensions among the stakeholders. Misalignment can lead to increased time and cost of the development and implementation of the SIB. It could even lead to the failure of the SIB in its entirety. As such, the level of involvement, in terms of commitment and alignment of the stakeholders is of importance.

Unfit social economy service providers / Social Economy Enterprise

As the success of the SIB is dependent on, among other things, the service delivery and outcome measures, the capacity of service providers to perform these tasks is important. As such, the capability and willingness of said service providers to perform these tasks are important. If these aspects go ignored in the planning of the SIB, the implementation and outcome can be jeopardized. It can also result in the earlier mentioned problems of increased time and cost of the project. Therefore, time and effort should be put into what extent local service providers are able to perform said tasks and activities to ensure a high enough level of effectiveness and quality.

2.3 Social Impact Investment infrastructure framework

A country's ability to support social impact investments (SII) is vital for such an industry to develop and prosper. Schwartz et al. (2015) have created a framework from four major types of infrastructure that determine how capable a country is at supporting its social finance industry. The infrastructure identified are: Government, Intellectual, Facilitative, and Transactional. The level at which each of these is supported, funded, and made possible through legislative actions, determine how well a country's SII-infrastructure supports social finance activities.

Governmental infrastructure

Governments' ability or willingness to support the SII-infrastructure has implications on primarily the supply side of SII, supporting demand for social finance. Through legislation, tax incentives, and public spending the government incentivizes an increased supply of social finance. Creating tax-incentives for private citizens and corporations to invest in social finance, e.g. making donations tax-deductible, is one idea of how this could be achieved. Making the industry attractive to investors through incentives as these are one of the ways to support it according to the report.

Different types of legal forms for corporations, like the "for-profit" and "not-for-profit" companies, exist in America. How they are set up to operate can also enable social investments within a country. The researchers note that many countries lack legal forms specifically targeting social innovations, which often operate between the "for-profit" and "not-for-profit" areas. To support a country's SII-infrastructure this needs to be addressed.

Intellectual infrastructure

A country's intellectual infrastructure consists of universities, sector conferences and networks, industry media, and actors performing research on the subject. To have a successful intellectual infrastructure, Schwartz et al. (2015) have identified three main activities that need to be fulfilled by these actors, these are:

- Provide a regular inflow of new ideas
- Willingness to review projects and admit possible errors. To develop the industry, faults and mistakes in the execution need to be addressed.
- Promote successful SII outcomes by spreading the word of positive outcomes.

Implications of a successful intellectual infrastructure results in more new ideas being generated into the market, human capital being educated in performing and investing in SII, and the projects themselves get evaluated to serve as examples in later projects.

Facilitative infrastructure

The facilitative infrastructure works to connect actors within the SII-infrastructure. Investors, service providers, consultancies, and other actors need to find each other, and that is the facilitative infrastructures job, connecting the supply and demand side, enabling investment.

There are two types of facilitators within the economy. First, there are the generalist professional services firms consisting mainly of lawyers, accountants, and consultants helping the project in surrounding tasks. Secondly, there are specialized consultancies, they assist in sourcing capital, exchanging industry knowledge. They also assist in impact assessment, measurement, and reporting. Examples of specialized consultancies are incubators targeted at social investments and independent firms that have expertise in social investments.

Transactional infrastructure

Schwartz et al. (2015) argue that transactional infrastructure is the best way to lower transaction costs of SII to support the industry long term. The transactional infrastructure refers to the source of capital in the investments. The sources include organizations, philanthropic foundations, corporations, pension funds, and insurance companies. To achieve low enough long-term transaction costs, there needs to be institutional level investors involved. The money from philanthropy and organizations is, in many countries, not enough to support the entire industry. As such, the investments need to attract larger actors such as pension funds and insurance companies.

Table 1 summarizes the facilitators and suggested implications of Schwartz et al. (2015) framework for SII-infrastructure.

Infrastructure	**Facilitators**	**Implication**
1. Government	Laws and regulations, tax incentives, Public spending and investments	Creating incentives to invest capital in social finance.
2. Intellectual	Academic institutions, Conferences and networks, Industry media, researchers	Knowledge creation, Generating new ideas, Spreading the word of successful SII, Evaluation and improvements to activities.
3. Facilitative	Intermediaries between the demand and supply side, Incubators, Mediators	Connecting actors, inform both investors and service providers, measurement (assessment and reporting)
4. Transactional	Investments banks, pensions funds, fundations, organizations, philanthropy	Lacking institutional pathways to invest, less growth in the market will take place.

Table 1 Social Finance Infrastructure (Schwartz et al., 2015)

3. Method

This chapter goes through the methodology used for this thesis. First off, the research strategy and design are described, followed by a depiction of the methods used for data gathering and subsequent analysis of said data. The chapter concludes with a quality of research discussion and scope limitation.

3.1. Research strategy

As the intended goal of the thesis was to answer how the Swedish social finance infrastructure can be developed to facilitate a growing SIB market and how Swedish project stakeholders deal with practical intricacies of implementing SIBs, the authors chose to take an exploratory approach in the thesis. This is in line with (Zikmund et al., 2009; Bryman & Bell, 2011) who argue for the use of an exploratory approach in contexts where ambiguity is present.

Further, a qualitative approach towards the data collection was chosen. This was a conclusion based on the fact that there is a low number of executed SIBs to date in Sweden, a limited number of experts to gather empirical data from, and a limited amount of available secondary data relating to the Swedish SIBs. As such, detailed semi-structured interviews with the available experts were deemed to be the most suitable choice in terms of whether to use a qualitative versus quantitative approach in the data collection. The use of a qualitative approach is deemed suitable and justifiable given the description of Bryman & Bell (2011) closely relating the approach of this thesis. Our thesis process is illustrated and displayed in figure 1 below to illustrate the thesis approach:

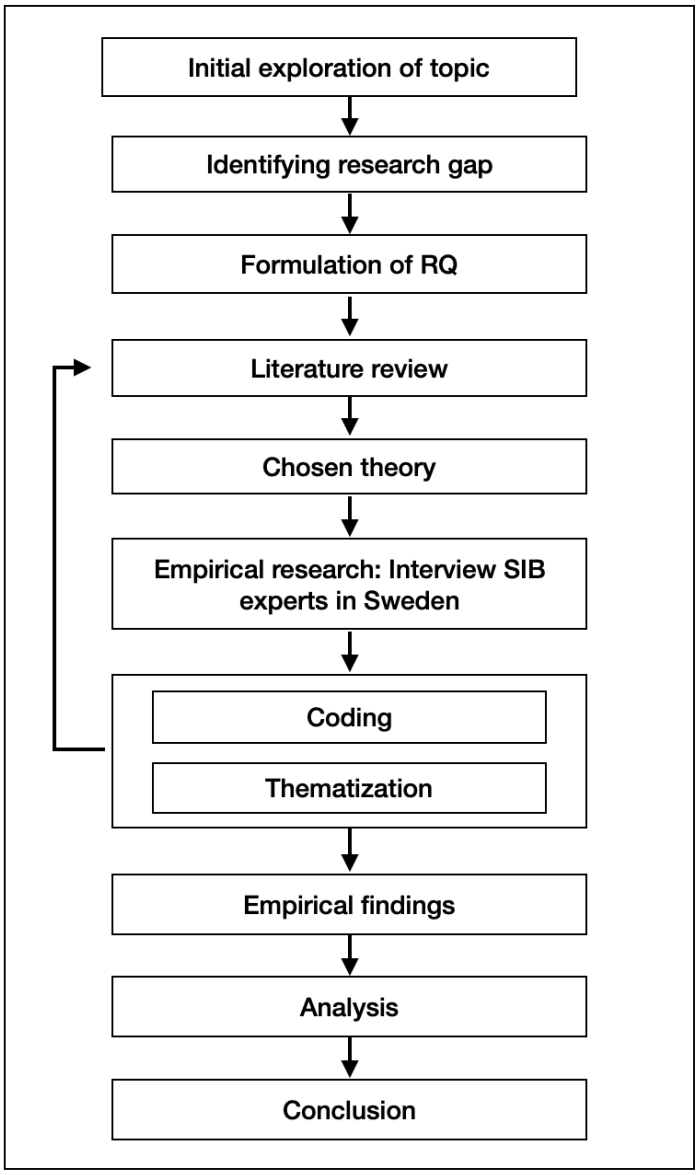

Figure 4: Research process, Curtesy of the Authors

3.2 Research Design

This study has followed a single case-study design, investigating the emerging SIB industry in Sweden. The reason for this decision comes from the qualitative nature of the research, and the choice to look into the entire industry as a single entity rather than studying different actors separately (Bryman & Bell, 2011). Given the prerequisites of this industry and proposed research design, an exploratory approach was taken, and as such, the research is not intended to provide any conclusive evidence or decide on a final recommended course of action. (Zikmund et al.,

2009). Rather, the research should be viewed as an initial study on which further research will be needed for conclusive evidence to be found.

Initially, the topic of SIBs was introduced to the authors through contact with Sahlgrenska Science park. Upon the introduction, an initial exploration of the topic was conducted**,** and the research questions could be formulated based on the apparent lack of answers to the questions that arose in a Swedish setting. Once the research questions had been formulated the review of literature and theory began. The review included the topics of social entrepreneurship, social finance, and SIBs. Literature and theory that the authors argued could assist in answering the research questions were selected to be used as a theory. With the chosen literature and theory**,** the experts to be interviewed were selected and an interview guide was created. Following this, the interviews were performed in a semi-structured form with transcription and coding as an iterative step following each interview. After the interviews had been conducted, the coding and thematization of the empirical findings were continued and finalized. With the empirical findings collected, the analysis could be conducted with the help of the chosen literature and theory. Finally, with the analysis in place, the research questions were answered, and a conclusion written.

3.3 Research Method

Research and data were collected using both primary and secondary methods. A literature review was conducted to gain an understanding of the field of SIBs. The secondary data can be divided into two groups. One contains academic literature and theory on social finance and SIBs. The other group contains reports, interim and post project evaluation, from launched SIB projects. The primary data was collected through semi-structured expert interviews with experts that have first-hand experience with SIB in Sweden.

3.3.1 Primary data collection

In the interest of answering the research questions, primary data was collected in semi-structured interviews with experts possessing first-hand experience with SIB in Sweden. The experts included investors, entrepreneurs and public officials. These actors within a SIB were interviewed in the interest of including as many of the separate parties in a SIB in our interviews,

to gain as close to a complete overview of the model as possible. The interviews followed a semi-structured form with the use of an interview guide which allowed respondents to contribute by following their thoughts while still keeping the interview on track (Bryman & Bell, 2011). Saunders et al. (2016) states that the semi-structured interviews allow the interviewer to omit questions in interviews given context that can be encountered. As the field of SIBs is novel and the interviewees all possess unique backgrounds and experiences with the SIBs, the semi-structured interviews introduced a desired level of freedom to follow up on topics of interest, introduced during the interviews. The semi-structured interview also allowed for the authors to search for answers on specific topics where the interviewee could be asked to further explain or dig deeper into a specific topic of interest (Saunders et al., 2016).

3.3.2 Selection of interviewees

The selection process of interviewees was primarily based on two factors. First, as the SIB usually contains four to five separate parties including; investors, service providers, bond issuing entities, objective evaluators, and outcome payers. These parties were all of interest in terms of being interviewed for the thesis, as they all play a significant role in the SIB. Second, interviewees were selected on merit. Limited experience exists within Sweden when it comes to SIB. As such, emphasis was put on finding key individuals in Sweden with first-hand experience of SIBs.

Given; the authors' intention to interview the limited population of Swedish experts within SIBs, the time constraints present when writing a Master's thesis and the answers received based on the individuals contacted to be interviewed, a selection of five experts with first-hand knowledge and experience from different roles of a SIB were finally chosen to be the interviewees for the thesis. Below, interviewed individuals are listed with their respective experiences within the SIB setup.

Regarding potential bias created by only interviewing proponents and stakeholders of SIBs, the authors argue that, as the goal was to interview experts with first-hand knowledge of SIB, the potential bias was a necessary evil since so far in Sweden, individuals performing and trying out SIB are proponents of the method. Further as the authors are aware of this potential bias and conflict of interest, this has been taken into account in the analysis.

Interview 1

Name: Henrik Storm Dyrssen

Profession: KI Innovations / Tillväxtverket

Background: Finance, Social Finance

Henrik is one of the architects behind the first SIB in Sweden in Norrköping Municipality. As the CEO at Leksell Social Ventures during the preparatory work and launch of the first SIB he was a key individual in Sweden's first SIB.

Interview 2

Name: Fredrik Söder

Profession: Entrepreneur

Background: Finance, IT, Pharmaceuticals

Fredrik is the CEO of Health Integrator; a startup targeting preventative health and more specifically Type 2 diabetes prevention. In the early phases of launching Health Integrator, Fredrik got firsthand experience within the field of SIB.

Interview 3

Name: Hugo Mörse

Profession: CEO Leksell Social Ventures

Background: International Development

Hugo is the CEO of Leksell Social Ventures. As such, he possesses the ultimate responsibility of LSVs involvement in Sweden's first SIB. Hugo also possesses deep insight into the future of the field of SIB.

Interview 4

Name: Lars Stjernkvist

Profession: Kommunalråd

Background: Journalism/Public Administration/ Politics

Since 2010, Lars has been the chairman of the city council in the municipality of Norrköping. He was the project owner of the first SIB in Sweden and has prior experience of social investments and outcome measurements within his municipality.

Interview 5
Name: Tomas Bokström
Profession: Project Manager RISE research Institute of Sweden
Background: Consultant, SALAR

Serving as project manager at the RISE project Social & Health Impact Center, Tomas' work is centered around establishing cases, finding new R&D collaborations and spreading measurement techniques. Tomas acted as objective intermediator for the first SIB in Sweden.

3.3.3 Conducting Interviews

Due to prevailing circumstances with COVID-19 during data collection, all interviews were conducted over the internet via VoIP software such as Zoom, Microsoft Teams, and Skype. The interviews were recorded, as well as documented by note-taking during the interviews for an in-the-moment capture of thoughts for later analysis. According to Saunders et al. (2016), the strength of internet-based interviews over Skype, Zoom, and Microsoft teams, for example, is that they allow both parties to be relaxed in their respective homes. The interviewees were asked if they, and the organization they represented, wanted to be anonymized for this report, something all of the interviewees opted out of.

Five expert interviews were conducted with both authors using the same computer in the same physical space. The authors argued that limiting the number of devices would decrease potential technical problems that could arise while conducting an interview from three different locations. If both researchers could not be present, as in interview 3, the interview was conducted with one author present.

All of the interviews were recorded after the interviewee had given permission. Recording assists in keeping the interviewer focused on the questions and answers instead of focusing on note taking. Having the interview recorded was also a decision-based ability to re-visit the answers to

analyze the tone of the answers. It also allows unlimited re-listening during the data analysis part, as well as providing unbiased and direct quotes (Saunders et al., 2016). As soon as possible after the interviews, the recordings were transcribed to have the experience readily available in mind.

Direct quotes are used from each of the interviewees in the empirical chapter. Since the interviews were conducted in Swedish, the answers were translated into English before being included in the text. As the act of translating a quote potentially could lead to lost nuance or meaning, all quotes once translated, were sent to the interviewees for approval before attached into the empirical findings. In the cases where the interviewees came with suggestions for corrections, in the sake of upholding their original meaning and intent, the authors have accommodated the interviewees demands and altered the quotes. In the cases where the interviewees have not returned our email with the request for proof reading, the interviewees have been considered to approve the quotations by default as the interviewees explicitly have not prohibited us from using said gathered data.

Table 2 Summarizes the interviewees and the details of each interview.

Interview object	***Date & Duration***	***Method***	***Language***	***Have approved the use of citations and proofread quotes.***
Henrik Storm Dyrssen	24/3-2020 80 Minutes	Online Zoom call	Swedish	Approved 2020/05/15
Fredrik Söder	31/3-2020 60 Minutes	Online Zoom call	Swedish	Approved 2020/05/25
Hugo Mörse	8/4-2020 60 Minutes	Telephone	Swedish	Approved 2020/05/15
Lars Stjernkvist	28/4 50 Minutes	Skype	Swedish	Approval by non-objection
Tomas Bokström	30/4 50 Minutes	Skype	Swedish	Approval by non-objection

Table 2 - Interviewees

3.3.4 Secondary data collection

Secondary data for the literature review was researched, identified and collected using online databases including GU-Library, Google Scholar, and the Social Impact Bond Database. The data can be divided into two separate groups. The first contains academic literature and theory on social finance and SIB. The second group contains reports, interim and post project evaluation, from launched SIBs.

3.4 Data analysis

Qualitative research analysis can be difficult due to the often-large amount of data collected in the primary and secondary data collection (Bryman & Bell, 2011). Identifying insights from a large collection of raw data can be difficult. With this in mind a number of techniques have been applied including coding and thematic analysis using software such as Nvivo which will be detailed further below.

3.4.1 Inductive approach

During the process of gathering data, an inductive research approach was applied. Inductive research is iterative, meaning that the approach encourages simultaneous data collection and theory employment. In practice, that means to analyze collected data after each data-gathering event instead of collecting all data and at a later stage analyzing it in bulk. The aim is to avoid collecting all the intended data, begin the analysis, and then realizing that the chosen theory does not properly assist in explaining the findings. If that happens, a problem occurs where a decision has to be made regarding if a new theory should be found to assist in explaining the findings. That can be time-consuming. The other alternative is to ignore the new findings at the cost of the thesis results. By employing an inductive research approach, themes, and patterns in the collected data continuously can be identified that otherwise would have been missed until after the collection when the analysis would begin. This enables finding a theory to explain the data or to change the structure of the interview to more clearly fit the intended topic and theory. In terms of how this will be done the aim is to schedule the data gathering sessions with enough time between them to allow for analysis of the data and, if necessary, adjustments of the chosen theory or data gathering methods before continuing with the data gathering. (Bryman & Bell, 2011)

3.4.2 Coding (Thematic analysis)

Alongside the inductive analysis, the authors began coding the data during the data collection, as suggested by grounded theory (Bryman & Bell, 2011). The aim was to find relevant topics and themes in the data that might not readily be evident before processing the collected data. In coding the data, the researchers read through the collected data and made highlights and notes to find concepts that were common within the data. These concepts were then further generalized into categories where more abstract themes were explored and related to theory. The process of coding started by reading through the gathered data multiple times and while doing so writing down notes in the margins on topics and themes that present themselves while reading. This was done several times before the notes could be observed, which is when the conclusions could be drawn regarding potential themes that might have presented themselves in the dataset.

Nvivo 12

The coding for the thematic analysis was performed using the qualitative data analysis software Nvivo. Using Nvivo, the coding was made efficient and easy. With the software, several tasks were made much more efficient, such as visualizing data, finding themes and codes more efficiently, and cataloging the transcriptions more efficiently.

3.5 Reliability, Validity & Replicability

The three criteria that research design is judged by are the research *reliability*, *validity, and replication* (Bryman & Bell 2011). The reliability of research design defines how reliable the collected data is and to what extent the results can be replicated. Having a high degree of reliability is important since it means that the data can be tested and replicated by others to validate the original work (Bryman & Bell 2011). This qualitative thesis has collected its data using both a literature review of secondary data and a number of interviews constituting the primary data collection. The repeatability of the literature review is high as it easily can be repeated since the data it builds on is available for all to read and take part in. The interviews and conclusions drawn by the authors are less repeatable, due to potential underlying biases in the authors when analyzing the data, as well as the availability of the interview subjects and their current mood. That said, given the same interview objects and interview guide, similar results and conclusions could be drawn.

Replicability, closely related to reliability, describes the degree of replicability of the author's research design (Bryman & Bell 2011). To ensure a high degree of replicability, the methods of acquiring the data necessary for this thesis are clearly stated and depicted in the Method chapter, making them easily replicable.

The *internal* validity depicts if your findings are able to be statistically proven repeatedly. Due to the thesis being qualitative and exploratory, there is a tradeoff that it has a lower internal validity than a quantitative one, which has data that can be tested and validated easier (Saunders et al., 2016).

The *external* validity of a thesis indicates how general the findings are to a broadened population if the results can be taken from this field of research or subject and be applied to a similar one. The scope of this thesis was to investigate a new social finance model the SIB in Sweden, however, this could be applied to countries that share similar social welfare and municipal systems, and to some extent other countries as well, making for a higher degree of external validity (Saunders et al., 2016).

3.6 Delimitations

The SIB model has been adopted in many countries and used to try to solve different social issues in a variety of settings. To focus the scope of this thesis to a manageable degree, the authors have chosen to investigate SIB within the context of the Swedish social finance infrastructure and its potential implications to the viability of the model. Not so much in-depth into what type of social issue to target, but instead determining how Sweden and its welfare system could support this type of model, and what would be the best way forward.

3.6.1 COVID-19 Pandemic

Due to the spread of COVID-19 during spring 2020, the possibilities to travel and, in extension, meet up for face to face interviews was drastically affected. To ensure that the necessary data could be collected, while simultaneously adhering to the recommendations by the World Health Organization, all interviews were conducted digitally using video-conference calls. Further the

pandemic affected the thesis in the sense that a number of planned interviews got postponed or cancelled as a result of the chaos that occurred for many during the pandemic.

4. Empirical findings

In the empirical findings the results of the interviews are presented. In the interest of collecting as much usable data as possible, and to be able to gain insights and answer our RQs, the authors tried to keep the questioning as open and wide as possible, in line with semi-structured interview form. The authors did not want to over-theorize the questions and risk alienating the interviewees by being too academic. Which was important as all interviewees had different backgrounds and experiences with SIB. As such questions were formulated based on a chronological time frame beginning with the setup of a SIB and covering all aspects of the SIB without specifically mentioning our underlying theoretical interests in any specific question. By doing this the authors argue we were able to avoid some extent of steering the interviewees towards only bringing up our expected areas of interests.

4.1 Empirical setting

Sweden's first SIB is yet to be completed (Leksell Social Ventures, 2019), and the young market is evolving and awaiting validation (Storm Dyrssen, 2020). Questions on *how* and *if* these SIBs should be implemented in the Swedish market are being posed. Interviews with experts are conducted to find answers and gain insights into what the potential of SIBs in Sweden could look like. Also, how the social finance infrastructure system of Sweden is setting the stage for the future and asking how the experts are picturing the way forward.

4.2 Interviews

4.2.1 Setting up the first Social Impact Bonds in Sweden

When asked about the early use of SIBs in Sweden, the interviewees, who all possess first-hand experience with the SIBs, mentioned problems and difficulties relating to the newness and early implementation of such a model.

According to (i1), suspicion of the model was inherent as the SIB model was a foreign construct. The municipality involved in the SIB was not interested in furthering private investor's agendas by trying out a new and unproven way, for them, to deal with social problems.

"It's a bit like if you try a hot dog and like it, but once you hear that the hot dog, for example, is from Middle Earth, and you happen to dislike Middle Earth, well chances are then that you all of a sudden will not like said hot dog."

To combat the suspicion of the foreign model, the investors downplayed the technical aspects of the model and shifted focus towards the potential outcome that could be reached by using the model, helping the chosen demographic, and the potential cost savings that could be achieved for the local municipality.

(i2), being an entrepreneur trying to finance his project through a SIB, mentions the time and monetary aspects as the most important insights according to him. Years of administrative work and difficulties for a small startup to cooperate with the government were mentioned as challenges. One way of combating difficulties in setting up the SIB, according to (i2), was to find "the right people" within the municipality, who could speed up the process and who could champion the idea from the inside, he said:

"We have located a number of individuals in key positions [In Region Stockholm] which has been very driven in this and has created a lot of value as a key factor in making this happen."

The time aspect, as well as attacking the idea from the right angle was brought up as important issues by (i3), who played the role of investor in Sweden's first SIB. First off, it took over a year of discussions between the relevant actors to get this project off the ground. Secondly, the importance of starting with the problem, and not the solution, was done as a way to create a successful foundation for the SIB.

"... When we did Norrköping, which was the first [SIB], we were very involved in the development of the entire concept. Everything from - "What is it that we are doing? What is it that the municipality needs?" Then we sat down with Tomas [RISE], and a group from the municipalities for one year's time on an ongoing basis and discussed all different aspects"

(i4) discussed skepticism within public administration of economism, translating humans in need of help and interventions into numbers and data, as a critique he received when he started pitching the idea. Many politicians and public administrators have a difficult time translating

situations and scenarios into crowns and cents. They hold the belief that economists and economics always stand in the way for what is best for the people. (i4) followed this up with mentioning that the SIB process seemed to have managed to unhinge these beliefs among people who had been involved in the projects and had seen the outcome of these practices.

"Among the people who have worked with this [SIB], the social welfare secretaries, who have been involved, many have come to realize that economics is not an obstacle but rather economics can be a tool as long as you learn how to translate actions into economic terms, but further up in the organization this skepticisms lives on."

The stated goal of Social and Health Impact Center (SHIC), the project run by (i5), is to be a national expert center that works operatively, assists municipalities, regions, and authorities to set up social impact bond solutions. He argued that the biggest difference between the SIB models internationally and in Sweden is that internationally, the public entity solely pays for an outcome and procures the services from investors and other private service providers. In Sweden, the municipalities are already such a large supplier of welfare services and they have larger financial capabilities than many counterparts internationally. In that sense, the municipalities will have a more active role as service providers in Sweden, than in other countries. A lot of time and effort had to be put into anchoring this idea to the investors.

"[...] when it comes to the service provision, the municipalities will have a role in it, it will not be the case that you procure the services from an investor and private service provider."

4.2.2 Metrics

Metrics collected during an ongoing SIB, such as grades in school pre-and post-intervention, are used to evaluate the performance of the interventions employed and in a larger sense the SIBs overall. Reports and early trials have concluded that metrics are an essential success factor for the setup, but it has been proved difficult to decide on the correct metrics to use.

Concerning metrics, a major surprise for (i1) was to find that he, in the role of an external investor, was the party advocating for the use of metrics to evaluate the service provider's performance. He was surprised because the municipality involved would be the main beneficiary of using metrics, as they are in place to ensure successful interventions are carried out. To select

said metrics for the SIB, (i1) turned to external consultants. The consultants searched for evidence-based metrics that could be used for the intervention. As the desired outcome of the current intervention, well-being among target youth, is hard to quantify, a proxy-variable was chosen that was deemed to be highly correlated with the desired outcome.

"If a child attends school, that is a good proxy variable [...] for saying that things are going well for the kid and research backs this claim up."

When choosing metrics, (*i1*) hypothesized that the focus should be on evidence-based methods originating from research. That way, the question of measurability is made easier. By using evidence-based methods interventions can be expected to deliver the desired outcome if carried out correctly. Further, (i1) stressed the importance of picking metrics that would give evidence to the social outcomes of the treatment group. In part to make sure that the treatment group really benefited from the interventions, in part for image reasons. If the metrics would conclude the resulting social outcomes as just an economic outcome for the municipality, and financial outcome for the investors, the involved parties were uncertain of how the intervention might be depicted by investigative media and parties who might seek to interpret the intentions of the intervention as a private initiative prioritizing economic gains over outcomes for the target group.

(i2) argues that since SIBs are a new model, there is no clear rulebook to follow on exactly how the metrics should be used. According to him, the mindset should focus more on taking a pragmatic approach and being approximately right rather than searching for a perfect metric to use.

"We know that this is approximately right, let us agree on this being approximately right at this level, but let us start off small-scale to scale it up and do it more precisely with every new iteration."

(i2) approaches the task of finding suitable metrics with the mindset that by starting and trying out what works, a suitable recipe will be found along the way. Further, he says that it is important to not base the whole project solely around the financial construction, but rather the value creation of the project. Oftentimes, too much focus is put on the exact metrics and data.

"You don't go to the car dealership and say that you want to lease a car and don't care about what car you get as long as you get it with a lease."

Many fails to see beyond the concept of the SIB which (i2) believes is a mistake. According to him, you can calculate the projects all the way to damnation, but if you fail to see reality and the underlying value creation logic you will not succeed.

For (i3), metrics played a key part in the setup of a SIB. Also, the project was approached with a problem-driven outset rather than a solution based one was key. He described the process of setting up a successful SIB as follows:

"[...]you might not finalize it, but you discuss it and have a quite clear picture about what the problem is and how the result, a solution, might look with your metrics. It is a problem-driven approach, rather than a solution based one."

Further, (i3) mentioned the potential problem of starting at the solution-end of the model, with a hypothetical company trying to sell its services as a solution, without going to the bottom with the municipality's problems. It would skip the crucial part of determining the original problems and finding measurable metrics before moving forward with finding a solution, implying that it would not work.

"...they [company X] are not going to the municipality and asking them what type of problem they have, you are going there and presenting them with what type of solutions you have. Then you are not going to the bottom with the problem [...]"

The process of using metrics and collecting data to evaluate results, according to (i4), is very time consuming and costly for the municipality. When presented with the SIB project, he said that he saw it as an opportunity to develop the social investment evaluation capabilities of the municipality that they had been working on for a number of years. This since the private investors would demand a higher level of reporting than currently in place within the municipality.

"[...]there was a possibility for us to develop our measurement tools because if you have private money there is no doubt that you need to measure the exact effect that money had."

For the municipality, (i4) said that the focus was on how much time and resources would be put on reporting the metrics, rather than the question of what the actual metric was.

"Taking the example of HVB-placed children, what determines if an outcome is successful or not? Of course, there are a tremendous number of variables affecting this and then a lot of resources, time, and competence to really follow and measure what the effects of the intervention were. We got help there but at the same time it's incredibly difficult."

For (i5) it was important to make a distinction between measuring activity and outcome when it comes to the metrics. Measuring an outcome is a very technical undertaking, he said. A lot of literature has to be read, and thorough analysis has to be performed. After this, the data should be analyzed to try to depict cost-drivers and relevant outcomes.

"It's a more rigorous process [SIB], and tremendously more digging in the operations and data are involved. "

Further, (i5) argued that finding suitable metrics and measuring them is one thing. After this, you also want to create an understanding among the involved parties as to why these metrics are the most important and why remuneration should be pegged to them. It is both a technical process and a process of building a shared understanding.

"That in itself [creating a shared understanding] is quite difficult as you need access to different levels within the municipalities and you have to be very methodological with the anchoring. That is a lot more difficult than many anticipate."

4.2.3 Reporting Workload

Time and money spent on accurately measuring the progress and outcomes of SIB are a recognized critique inherent in the model.

(i1) mentioned that initial concerns were present regarding the reporting that would be necessary for the SIB project. The involved service providers were hesitant to take on the extra administrative workload of conducting data gathering and reporting, as their main priority was helping the treatment group and they felt that the reporting would take time away from that. However, once the reporting was initialized and new insights could be derived using said reporting data, the service providers became the most vocal proponents of the social impact bond structure. With the new insights, the service providers could illuminate problem areas and assist their treatment groups in a better way than before.

"They [involved social workers] were our biggest fans after a while and that was because they received operational information about their project and target group, which they had too little information on, which enabled better administrative decision making regarding this target group."

On the topic of reporting workload, (i4) said that the SIB led to increased reporting. Measuring interventions were however positive for the municipality even though it increased their workload, he continued. An issue present was that many actors within his administration did not believe in quantifying interventions and translating data into numbers. As such, they were initially opposed to the increased workload that the SIB, and the increased reporting, would result in. (i4) however, firmly believed that using metrics and increasing measuring and reporting would benefit the municipality in the end. He was of the conviction that the benefits would outweigh the drawbacks of increased reporting.

"It was relatively easy to argue for the value of having a collaborative partner who really forced us to do the measuring thoroughly. I think that development has shown this to be a great benefit."

Although (i4), and his municipality successfully handled the reporting, he was vocal about the complexity of the reporting and he expresses concerns for smaller municipalities who might have fewer resources at hand.

(i5) explained that the preparatory work and ongoing reporting had to be very thorough as things easily could go wrong when laying the groundwork for a SIB. It is a necessary evil and very

important that you measure the right outcome once the project is up and running, and to do that you need a lot of data.

"It is true that it is [the reporting] quite extensive and it is also quite an important aspect as things can go wrong here. You can end measuring activity instead of the outcome. That is at the very core of what we are doing here. Otherwise, you could continue with business as usual, where you mostly pay for the activity."

4.2.4 Moral Hazard

The potential for moral hazard issues has been raised when discussing and researching SIB. For example, investors could benefit from the manipulation of data and metrics could be chosen that favor a given party.

In the case of the first SIB in Sweden, (i1) argues that moral hazard problems were no issue. A majority of the services rendered were performed in-house by the municipality, leaving little room for any outside actor to take advantage. If there were to be any moral hazards involved, it would have been on an internal political level within the municipality, he says. Further, he says that the involved parties were all keen on vocalizing their involvement in the parts of the project that went well and could demonstrate improvements for the treatment group or savings, while it was hard to find the responsible actors behind failures to meet desired outcomes and adhere to the set budget. (i1) argued that these problems are present when working with government and politicians as they have personal and political interests and agendas. It will be difficult to avoid.

"It was teams in the education and social administration who did this [the project interventions], and they were the ones who logged the data, so it would have been [moral hazard issues] if the team had any incentives to look better than they actually were, but in that case it becomes an internal political question inside the administration."

(i4), who took the role of the bond issuing actor in the SIB, did not feel like any moral hazard issues were at play in the SIB. He credits the independent evaluators working between the two parties for this.

"And it is so obvious that since there is a private investor, the one who evaluates the progress needs to be independent, both from the municipality and the investors."

(i5) argued that it is a highly relevant topic as it is one of the largest risks within social investments generally. In part due to the model's structure but also due to the fact that there is a current hype within the field that attracts opportunists. It is for these reasons that SHIC is an independent party, he says. As an independent party, SHIC would not rig a project for any investor or municipality and thus limit potential moral hazard related issues, he said.

"That is why it is so important that this work is done [reporting], in part to do it thoroughly but also who is doing it. [...] we are an independent actor, we will not rig models in favor of the investor, or the municipality for that matter."

This matter, according to (i5), as there have oftentimes been mentions of the market self-regulating aspects such as outcomes and pricing of outcomes, resulting in lacking transparency, which can lead to moral hazard problems.

He continues to argue that since they are an independent actor, they have an easier time to admit errors, unlike a private or governmental actor that might find this harder. This in turn makes (i5) more transparent with their reporting.

"We are able to say when something went wrong, that we thought wrong. It can be so much harder for a private actor or investor, or even a municipality, to admit that they were wrong"

4.2.5 Cause and Effect

To determine if an intervention had the intended effects and lead to a certain outcome can be difficult. Discussing the concerns and insight gained from the different roles in a SIB, the interviewees disclose their thoughts on the subject.

In trying to determine cause and effect in Norrköpings SIB, (i1) stated that the involved parties tried to rely on evidence-based research to guide their process. They had ongoing discussions on the interventions that worked and those that did not. Oftentimes, involved parties wanted to take credit for the positive occurring outcomes while not being responsible for non-successful

outcomes. (i1) also likened the SIB project to the development of microfinance and how that sector has evolved. In situations where a treatment group has a difficult time with multiple problems, sometimes it might be enough to report that misfortune has not increased as an outcome of a project, instead of proving that the group's situation has improved.

"The point is that when you are working with a demographic that is having a bad time, you can work towards making the curve show that it's going slightly less bad so that in theory you have contributed to something. Then if you can't prove what went right and what happened because of you, then that's okay since at least it is a positive outcome."

In general, (i5) wanted to be able to arrive at a causal link between an intervention and an outcome. With the evaluation methods used so far, a causal link has been found by using historical control groups such as in the Norrköping and Botkyrka/Örnsköldsvik projects. Additionally, you would optimally have a large enough group to limit the effect of chance.

"You can put it this way, we want an evaluation model that can establish causality, so we need a control group, and using a historical control group is a sort of minimum viable option. We will not always establish causality and maybe that is not necessary. "

(i5) said that you will never achieve a completely perfect experiment, and you have to make some assumptions and draw some conclusions. Things happen, like COVID-19, which will have effects on metrics in the projects. (i5) stressed the importance of having an evaluation model and being sincere in why you think you might achieve a causal relationship. It is also important to not be too bold and claim that an intervention, without any doubts, has had a certain effect, unless the experiment is specifically aimed to prove such an effect.

4.2.6 Successful Social Impact Bond Implementation

Based on the insights gathered from the experiences working with SIBs, the interviewees discuss that their key insights have been regarding successful SIB implementation. Both avoiding that which did not work and doing more of what worked well.

A universal discovery for (i1) was about finding out what the goal and outcome is. It is important that all stakeholders involved in the project agree upon what the end goal and the outcome is.

Further, the project must be both economically and politically interesting to be worth doing. When you have an agreement on that level, you can decide the intervention and the method to reach the desired outcome. Regarding the methods and interventions employed, (i1) once again stressed using tested and evidence-based approaches as such interventions lower the transaction costs of the project by streamlining validation of the chosen intervention, (i1) said.

"If you start with the research you have solved the issue of measurability. [...] You also have to do something that is economically and politically interesting. Here the complexity increases but there are suitable areas of interest where these characteristics can be found."

(i2) once again stressed the importance of adopting a mindset that SIB is just a tool, one out of many potential tools one can use, no more, no less. Additionally, (i2) said that it is important to realize that SIBs are not yet an exact science. As such, not everything can be calculated exactly and known in advance. Having a mindset like that hinders the development of the SIBs, he says. (i2)'s own approach was to scientifically validate and structure the value creation process with his venture. The validation has been done through, among other things, clinical studies. The value creation has been achieved based on the scientific findings.

"What we have built up during these years have primarily been about validating and structuring the value creation within preventative care that is our business area" [...] "I see many actors who are starting out with the financial construction and I have seen Nobel Prize-worthy Excel spreadsheets, who do little in terms of contributing anything as they are purely mathematical, theoretical models that have nothing to do with reality."

(i3) talked about the importance of a correct and thorough setup process of the SIB, to better define what constitutes a successful outcome, and which metrics to use.

"[...]become better and more thorough with understanding the importance of how you define outcomes, what type of data that is connected to, and which metrics to look at."

(i4) argued that the most important factors determining the success for future municipalities using SIB will come down to the level of readily available assistance the municipality can receive

externally. In part due to the complex reporting demanded by a SIB, and in part due to the dialogue between municipality and potential external investors, he said.

"[...] if we can receive external assistance with this, that someone is there to assist the municipalities when it comes to the dialogue with investors but also to organize the measuring activities, well then I do believe that we could achieve a large penetration and spread.[of SIB]"

Further, he said that the early implementation of SIB should be focused on finding areas with a reasonably short payback period. Interventions that can achieve results faster.

"Once you have done this and observed the effects it can have to observe both the human and economic gains, that's when you dare to approach the more complex issues. "

To (i5), successful social impact implementation was about finding practical solutions, tying together different actors, and raising issues politically to affect policy in place. This is what SHIC works with. In the first SIB case in Norrköping, (i5) discussed the importance of offering assistance to the municipality of Norrköping, when it came to analysis and reporting. Something that was done through (i5) and the private evaluators contracted for the project. (i5) also stressed the importance of actually learning and spreading the insights from the project within an organization which is difficult.

4.2.7 Future

All of the interviewees were asked about their thoughts on SIBs future in Sweden. What potentials are there? What needs to happen to reach that state? The common answer was that to reach a critical mass, the method would need to scale up and get assisted by more centralized institutions.

(i1) described that he saw great potential for SIBs moving forward, but having executed one himself, he was concerned with the large transaction costs associated with the set-up. To lower transaction costs, the scale and number of SIBs needed to go up, according to him:

"The fundamentals of early interventions and social investments speak for significant market potential, but the obstacle is that you have to replicate and scale the model to generate track record and lower transaction costs, as well as building experience in designing incentives that work for all parties involved including society and the target beneficiaries."

(i1) also discussed the institutional support from the government for SIB and social investments, which he deemed lacking in Sweden, and needed an overhaul to support it properly. Giving an example from France and Italy, where the citizens have the ability to partition their pensions so that 5-10% of the capital is invested inside the country in social projects, something not possible in Sweden.

"In Italy and France, there are rules that allow you to allocate parts of your state pension into social investments, in France for example, you can put 10 % of your pension into investment in your hometown for example."

(i2), again, pointed at the fact that you should not be so focused on the method itself, but should focus on what type of problem you are trying to solve. He does however state that given the "right" type of problem, SIBs could prove an excellent tool in the future.

"... it [SIB] is just a tool for sharing risk and value in a refined way, but it is not the tool in itself that is crucial. If you are building a house and need to nail down a panel but you only have a screwdriver in your toolbox, well then it is a useless tool, but if you need to screw in the panel it is a fantastic tool."

(i3) stated that to have the method survive in the coming years, there is a need for scaling up the size and number of bonds, also centralizing a lot of the administrative work to streamline the implementation and lower transaction costs. If the early projects would be set up correctly and could demonstrate a potential to deliver impact as well as financial returns, (i3) believed that it could draw out the big institutional investors, such as pension funds and insurance companies, which would take over the industry since they could deliver the right scale and capital.

"... as soon as the market starts evolving for real and get some structure in place, I believe that the investors in these impact bonds won't be Leksell Social Ventures, but rather banks, insurance companies, and pension funds, it will be the bigger institutional investors."

The importance of potential financial returns on investments was mentioned to be the most important factor by (i3) to attract institutional investors. In the first SIB, it was not as important that they themselves reached the financial goals, but that the contract clearly stated that it was a possibility. If other investors would see this possibility, their interest would rise for similar projects. If the first SIBs would have unclear or weak terms for financial return, it could look more like a charity according to (i3), and then the institutional investors would never get involved.

"What I believe is dangerous in this market development [Ill-defined impact investment], is that it undermines, you will not get a serious structure and then it will be impossible to get an AP-fund to place money in this model since they are not interested in that type of charity."

(i4) was positive towards the use of SIB as a tool for targeting social issues in the future. The cooperation between the public and private sector, that SIBs often force to create innovation, was listed as one of the reasons.

"Oftentimes, the best solutions are created from the cooperation between different actors, with somewhat different driving forces. As in this case [Norrköping SIB] with private and municipal stakeholders."

He also stressed the importance of a central mediator between municipality and investors, just as the interviewees before him have. For him, the focus was on the amount of help the municipalities could receive in measuring the metrics from this hypothetical knowledge center since he believed that that task was the most resource-intensive for them.

"[...] If you do this, which I hope, in more municipalities in the future, it will be even more important since small municipalities need even more support to sustain the dialogue with the investor and really make sure the correct metrics are measured from the municipalities

standpoint, it is clear that assistance will be needed for this and here SKL was very good support for Norrköping!."

(i5) argued that national-level funding is the future. With increased funding from the government for SIB, the conditions necessary for scaling would be in place. (i5) further believed that a national fund provided by the government would signal support which could encourage municipalities to further consider social investment projects. This national fund would put the government in the role of investor instead of a private actor, since they would be the ones putting up the capital.

"If the government would set aside a few hundred million SEK into an innovation fund, immediately that would enable increased scale."

5. Analysis

The analysis is performed taking the collected empirical findings and analyzing it using the SII- and SIB-Framework, drawing conclusions on the findings and building up to answering the research questions.

5.1 Intro

The analysis has been performed using the SII-Framework (Schwartz et al., 2015) together with empirical finding to identify the Swedish social finance infrastructure's ability to support the development of SIB. In addition to this, the SIB Diagnostic Framework (Muñoz & Kimmitt. 2019) have been used to analyze the main complications that have been dealt with during the first SIB uses in Sweden. The authors have additionally identified key critiques and problem areas brought up against SIBs in the empirical data collection which will be an addition to the theoretical frameworks as will act as practitioners' feedback in the interest of answering the research questions.

5.2 Social Impact Bond Diagnostic Framework

Answering the second research question on the implementation of SIB in Sweden and potential intricacies connected to it, the theoretical framework developed by Muñoz & Kimmitt (2019) was employed.

Social Impact Bond Diagnostic Framework

Complications	***Counteracting Force***	***Empirical findings***
Ill-defined social issue and beneficiaries	Issue-Intervention Fit	● Evidence Based Methods ● Proficient Intervention Selection ● Preparatory work
Intricate regulation in intervention space & social investment	Stakeholder involvement	● Sweden lagging after Europe ● National political agenda
Scattered SIB actors	Social Economy Enterprises	● Centralization in Sweden ● Aligning stakeholder

		interests ● Political Agendas
Unfit social economy service providers	Political-regulatory environment	● Specialized Consultancies ● Objective Evaluators ● Specialized service providers

Table 3: Social Impact Bond Diagnostic Framework (Muñoz & Kimmitt, 2019)

5.2.1 Ill-defined social issue and beneficiaries / Issue-Intervention Fit

Complications that can arise from ill-defined social issues and beneficiaries in SIBs have to do with rising costs related to increased work resulting from the ill fit between the issue and the intervention. In the worst case, this can lead to the failure of the SIB. When the SIB is under development, the scope of the problem, the current solutions and potential interventions have to be looked at in detail.

The authors argue that Swedish actors are capable of selecting issues in need of attention. The chosen social issues are originators of high societal costs and are as such deemed significant. The intervention areas have included child and family welfare, foster care for children, and health. These intervention areas are in line with existing SIB projects worldwide (Social Finance, 2020a) which further supports the authors' opinions. There are three identified components explaining the relative success in finding suitable intervention areas. They are; *proficient intervention selection, use of evidence-based methods and thorough planning and preparatory work.* For example, before the decision was made to focus on foster care intervention, labor market integration of immigrants was discussed, but due to lack of evidence-based intervention the issue was dropped indicating proficiency in intervention selection. Further, evidence-based methods are employed to ensure measurability and limiting transaction costs. Finally, thorough planning and preparatory work works to ensure that stakeholder incentives are aligned and that a common understanding of project goals can be achieved.

To succeed in the issue-intervention, the Swedish SIB actors focused on preparations and trust in science and evidence-based methods to build their cases. As reported by Disley (2011), the amount of analytical work to come up with outcome measures was substantial. As these cases

have been the initial uses for SIB in Sweden, the experts vocalize a need for increased efficiency in the future, for SIB to have a future in Sweden.

5.2.2 Intricate regulation in the intervention space & social investment / Stakeholder involvement

Regulation affecting the intervention space & social investment can be mitigated through stakeholder involvement. Depending on the regulatory context and complexity the problems can be of varying degrees. Additional factors can be overarching political agendas that can mobilize or block the development of SIBs.

In terms of intricate regulation within the intervention space, the authors find that; *regulatory complications*, due to the newness of SIB, *bureaucratic complications*, relating to jurisdictions and non-innovative mindsets, and *political agendas,* relating to the willingness or lack thereof from involved politicians have affected the SIB negatively the most. In terms of regulatory complications, the lack of accounting principles to accommodate the SIBs was an early concern that hindered early prospects for one of the early SIBs in Sweden. Bureaucracy resulted in complications as a result of overlapping jurisdiction between parties in a municipality or region. Wider political agendas affect the environment also as interventions planned must be in line with the wider current political agenda. The interviewed experts involved in the first SIB in Sweden attribute successful cross-sectoral cooperation as a major cause of the successful launch of the project. Present in the project were investors with an interest in launching a SIB, a strong political buy-in into the project, and a nationally funded consultancy organization willing to assist the involved municipality with technical difficulties of the project. In terms of a wider political agenda nationally, the interest is lagging behind that of many other countries in Europe, and in the U.K and the U.S. the major actors within SIB. However, the fact that RISE and in turn SHIC is funded by Näringsdepartementet, is a token of interest in social investments on a national level. The push for increased interest in social investments could also be attributed to the downsizing of the Swedish welfare state and the increased privatization within Sweden. (Alamaa, 2014)

5.2.3 Scattered SIB actors / Social Economy Enterprises

In a SIB, there are typically four to five involved parties including; bond issuing entity, service provider, objective evaluator, investor and outcome payer. With multiple parties involved, a number of issues have been reported. Mutual awareness, different approaches, how to collaborate, and views on best practices can differ between the stakeholders which can lead to difficulties in working together and succeeding with a project. The expert's advice to deal with these complications by aligning stakeholder interests and securing implementation support. Aligning stakeholder interests is done to ensure that all parties involved have a common understanding of what the SIB is intending to achieve. Having continuous contact among the stakeholders through meetings and collaboration also assists in keeping interests aligned. In terms of implementation support, the support from the independent expert center SHIC has been widely recognized as valuable by several parties that have worked with them. SHIC have been able to mediate between the parties, share insights from prior projects, and assist in the measuring and reporting work. Again, as the bond issuing entity in Sweden oftentimes is a municipality and at least partially also acts as the investor and service provider, there is less scatter among the involved actors as one takes one more role.

5.2.4 Unfit social economy service providers / Political-regulatory environment

The service providers capacity to perform interventions and measure outcomes is key to the success of the SIB. Service providers must be able to perform and provide clearly defined social outcomes through the methods chosen for a given intervention. If unsuccessful in doing so, the time to perform and cost of the SIB will increase. Regarding the suitability of the chosen service providers, so far, several concerns have been vocalized. In the case of the first SIB in Norrköping, the municipality's ability to measure the outcome of their service provision was too rudimentary to meet the SIB criteria before the project was launched. To deal with this the municipality received assistance in performing more advanced measurements which were offered by SHIC. With the delivered assistance, they were able to perform the tasks as intended. Given that the assistance being received for this first Swedish SIB might not be available for all future projects, there is concern regarding the suitability of municipalities performing these tasks in-house. (i4) especially argues this to be the case for municipalities smaller than Norrköping in Sweden, of which there are plenty. As the municipalities will not be as proficient in-service

delivery as a specialized service provider, the need for independent expert centers, like SHIC, who can assist the municipalities play an important role in the implementation of the SIBs.

5.3 SII-infrastructure

In this part of the analysis, the SII-infrastructure Framework presented by Schwartz et al. (2015) will be used to analyze the collected data from the expert interviews to make an estimation of how well the Swedish infrastructure is supporting social impact investments, namely SIBs, and potential changes the authors argue, based on collected data, should be put in place, to make the infrastructure supportive enough to expand the use of SIB.

Infrastructure	**Facilitator**	**Implication**
1. Government	Laws and regulation, Tax incentives, Public spending and Investments	Creating incentives to invest in social finance.
2. Intellectual	Academic institutions, Conferences and Networks,	Knowledge creation, generating new ideas, spreading the word of successful SII,
3. Facilitative	Intermediaries between the demand and supply side, Incubators, Mediators	Connect actors, inform both investors and service providers, measurement (assessment and reporting)
4. Transactional	Investments banks, pensions funds, foundations, organizations, philanthropy	Lacking institutional pathways to invest, less growth in the market will take place.

Table 4: Social Impact Infrastructure (Schwartz et al., 2015)

5.3.1 Government

Discussing the governments work to incentivize private citizens and companies to make social investments, (i1) stated that the Swedish government was falling behind other European countries in that aspect. (i1) exemplified, just as Schwartz et al. (2015) did, that in France, the population can choose to portion 5-10% of their state pension towards social investments, which would

encourage more “regular” people to make those kinds of investments. Since solutions like these are not possible in Sweden yet, legal and tax reforms are needed to be able to scale up and incentivize private capital to invest in social investments.

(i4)’s recommended that the government should provide municipalities with support in data collection and measurement activities like the support Norrköping received from SHIC. This to enable more and smaller municipalities to engage in SIB projects that otherwise would take too much administrative time. If the government were willing to spend money on a centralized SIB facilitator, transaction costs could be significantly lowered (Schwartz et al., 2015). This is also supported by interviewees (i1), (i2) & (i3) who all requested some form of a centralized actor to lower transaction cost and speed up processes.

When discussing SIBs future with (i5), he saw the need for a governmental SIB-fund that would enable more projects, and on a bigger scale than now. Governments creating social investment funds to support social innovation is a great way of reducing the cost of capital according to SII-framework (Schwartz et al., 2015). Creating incentives for private citizens to invest in social issues is brought up in the SII-framework, (i5) however stressed the matter of creating the same type of incentives, but within government between municipalities and the national government. Since municipalities often are the ones who set up a SIB, and in turn create potential savings for the national government, (i5) argues that the government should create incentives to engage in SIB in return to the municipalities. Evidence supports that Sweden has adopted a hybrid SIB design, where the national government and municipalities execute more roles than in a traditional SIB. This seems like a positive way to increase demand for social investments.

What the authors have found is that Sweden is behind other European countries in many aspects of social finance as mentioned above. This might be a remnant of the extensive social welfare system we have had historically in Sweden (Alamaa, 2014). As the welfare state has performed many such social services historically there might not have been an equal need to develop this market compared to other countries, the authors argue. Given this lack of facilitation of social investments, carrying out SIBs is currently time consuming and comes with large transactional costs.

In terms of what this might mean for the use of SIBs, the authors have concluded that the current situation must be changed if SIBs are to be more widely adopted in Sweden, irrespectively if they achieve positive outcomes or not. If the instigators of the SIB, the investors and entrepreneurs etc. cannot make the projects work on their end due to transaction costs and costs related to lacking incentive structures there will be no future for the SIB.

5.3.2 Intellectual

Intellectual infrastructure can facilitate social investments if a few conditions can be observed within an economy. (Schwartz et al., 2015) They are: new idea generation, willingness to review projects and ability to admit errors, and to spread the word of successful implementations.

Signs of development of the Swedish intellectual infrastructure could be identified when interviewing (i1), who were recently hired by KI-Innovations, one of Sweden's biggest incubators and knowledge centers, to help them develop their social impact investments capabilities. Further, the authors of this thesis were asked by Sahlgrenska Science Park, a Science Park within the University Hospital Sahlgrenska in Gothenburg, Sweden, to investigate potential use cases of SIB, indicating that they as well are interested in a future in social impact investments. This could be taken as a sign that two large actors in Sweden's key institutions for intellectual infrastructure, generating new ideas to the market (Schwartz et al., 2015), among others, are taking notice of social impact investments and are building up their capacity.

The second and third conditions could be found, to some extent, within the publicly funded, independent expert centers such as SHIC. In the interview with (i5), he stated that being independent, SHIC has an easier time to admit errors when evaluating SIB than private, or even public entities, which allows them to reflect and promote how to change for the better in the future. Another stated mission for SHIC is to promote SIB and other social investments, to new parties, spreading knowledge and information on projects and possibilities. Their target demographic is municipalities around Sweden. Since they are, for the moment, the only actor that we can contribute in Sweden to these roles, the authors argue that there is a need for an upscaling of their operations to reach more potential actors, due to their size of only 6 employees. This is in

accordance with the SSI-framework that stated that the promotion of successful impact investment is crucial to attracting new actors.

5.3.3 Facilitative

Facilitative infrastructure was the most discussed aspect in the expert interviews, all three of the private sector actors (i1, i2, i3) were promoting the need for a larger centralized facilitator to scale SIB to lower transaction costs, connect actors, and distribute funds. (i2), who as an entrepreneur himself has put together a SIB, argued from experience that it would be crucial for SIBs survival due to the administrative effort needed in today's market.

The two public actors, (i4) and (i5), were also interested in the idea of scaling the market for SIBs with the help of an independent expert center, which (i5) and SHIC has shown interest in. The point of having a well-established facilitator is the ability to make sure that external actors are prepared to receive and engage in social finance projects (Schwartz et al., 2015). Today in Sweden, SHIC is the actor closest resembling a SIB facilitator, they are however publicly funded and only have 6 employees, making their capacity somewhat limited if interest in SIB increases quickly.

Another factor in Schwartz et al. (2015) model is the importance of a facilitative actor assisting social investors in measurement and reporting tasks. Working towards creating a standardized measurement system for impact investment to make comparison and evaluation easier should be a priority.

Given the SIB structure and its outcome-based payments, a burden of reporting and data collection is tied together to the model. It could be argued that it is even more present in SIBs than in usual social investments. In McHugh et al. (2013) & Liebman's (2011) articles, that workload is identified as one of the main critiques against SIBs. When discussing the issue with the experts, the amount of data collected was not a direct problem according to them since they could use the data to improve and analyze their work process. It was, however, a time-consuming and costly task. Consultancies and specified firms have assisted in performing these tasks in prior SIB projects, relieving the service providers and bond issuers from that workload, but there is still

no standardized method of measurement since there have been so few projects, and the metrics are so vastly different between them.

5.3.4 Transactional

For the moment in Sweden, the actors investing in SIBs are municipalities and philanthropic organizations such as Leksell Social Ventures. According to the SII-framework, the source of capital is very important since it can incentivize the market and introduce new actors. Just relying on philanthropic and nonprofit organizational capital can not support the market long term (Schwartz et al., 2015). The interviewees had somewhat differing opinions regarding where the money should come from. (i3) argued that the only way for SIBs to scale up and lower transaction costs was to attract pension funds and insurance companies, in accordance with Schwartz et al. (2015). (i1) and (i2) were also discussing the lack of institutionalized money in Sweden's SIB infrastructure. (i5) argued that the government should establish larger funds intended to incentivize municipalities towards social investments. This could place the national government in the role of investor in the SIB structure, changing the dynamics from private capital funding social investments. In Sweden, the welfare system is extensive, and the government supplies many social services, just as the authors noticed when interviewing the different actors. One future for SIBs could be as (i5) mentions, not promoting private capital and service providers and have in place a system where the government funds local SIBs in municipalities, and if successful the municipality receives additional funding. Regardless of the path chosen ahead, for SIBs to grow, more investment capital is needed in Sweden to scale up and lower transaction costs.

5.3.5 Summary

Having analyzed the data through the lens of the SII-Infrastructure, it will be placed back into the framework with the unique Swedish characteristics introduced to reach a conclusion on the research question - *How can the Swedish Social finance infrastructure be developed to facilitate a growing market of Social Impact Bonds?*

Infrastructure	Facilitator	Implication
1. Government	No real laws and regulation that promotes SII directly to the private sector. Public spending is high.	Low incentives for private sector to invest in social issues Our government, through our welfare system, is more inclined to invest in Social innovation on its own
2. Intellectual	Public universities (GU etc.) that teaches social investment /entrepreneurship. Incubators such as Sahlgrenska Science park and KI-Innovation has shown interest	Help spread the word and generate innovative ideas. Interest has started to grow in the intellectual actors.
3. Facilitative	RISE/SHIC and similar expert centers	Promote SII. Connect actors. Assists in measurement (assessment and reporting). Only functioning on a smaller scale for now, needs more actors or to scale up operations to support growth. Still need for a standardized measurement tool/method.
4. Transactional	Philanthropy (LSV), Municipalities	Need for more institutionalized money, from either pension funds and insurance companies, and/or state funded funds. Can't survive on philanthropy and municipalities.

Table 5: SII-Infrastructure - Sweden

Analyzing the experts' answers through the lens of the SII-framework, the most obvious deficiency in the Swedish SIB infrastructure is the lack of institutional funding (Transactional), and the absence of a centralized unit (Facilitative) large enough, that could connect actors, facilitate information, and capital. This is both in line with what SII-framework recommended to invest in, and SIB Experts requested, for a sustainable and growing SII market. If these issues are not addressed, the effect on the SIB industry in Sweden could be that transaction costs would stay too high for smaller actors to afford to try a SIB due to the low scale of investments- Further actors might not find each other and potential actors could miss information on what SIBs could offer.

The Governmental infrastructure in Sweden was described as underdeveloped with regards to regulation and tax incentives by the experts when discussing it with the private market in mind. Lacking governmental action in this area could keep private capital out of the SIB market, limiting the potential size. Governmental infrastructure targeted towards municipalities and regions with the goal to promote and engage in social investments could be an alternative to the traditional SIB model in Sweden due to the unique model of addressing social issues in Sweden, compared to the U.S. for example. In such a model the public would take the place of the private foundations/trusts/investors, but the models focus on evidence-based methods and outcome-based compensation would remain. Effectively creating a hybrid Swedish SIB (SSIB). This was suggested by (i5) and would imply that the private capital would not be as important, which would decrease the negative effects of lacking fiscal and regulatory incentives for private individuals and investors towards social investments to some degree.

Lastly, the Intellectual infrastructure provided in Sweden had the least potential issues to provide a good environment for SIBs. Swedish incubators are increasingly interested in SIB and other related social investments, assisting in generating new ideas to the market.

5.4 Dealing with the critique

Apart from the two theoretical frameworks used to analyze the current Swedish market conditions, common critiques were found in reports and evaluations of previous SIB projects around the world. The critique has generally been aimed towards 3 main aspects regarding the setup and execution of the bonds.

According to early reports on SIBs from among others Liebman (2011), a concern with SIBs is that it might be difficult to reach desirable levels of returns for the investors. There are examples of both success Anders & Dorsett (2017) and failure Anderson & Phillips (2015) to deliver desired returns. Based on our experts' conclusions regarding the early trials of SIBs in Sweden, we have identified a number of arguments as to why this necessarily might not be a major issue for Swedish implementation. The biggest reason as to why this critique might not be as important in the Swedish setting is the fact that Swedish local government, municipalities, and regions, tend to perform service provision within the government to a larger extent than what is often found outside of Sweden. As such, (i5) and (i1) argue that the government is more involved in paying,

and performing the services, than internationally. In Sweden, there will therefore not necessarily be as much involvement with private investors. The SSIB, where the payer is the government from the start, will not necessarily be so focused on returns as the government already is paying everything. The focus is more on the measuring and effectivization of the services. Undoubtedly there will be benefits and disadvantages related to this somewhat altered SIB model. The authors argue that it could be beneficial for the government to not have to pay part of potential savings to private investors. At the same time, a major benefit with the SIB model is the inclusion of private investors into governmental affairs as it can increase the competence involved in the project as mentioned by (i1, i4, i5).

It is evident that the increased involvement of the municipalities and regions in Sweden can assist in limiting "Scattered SIB actor complications "(Muñoz & Kimmitt, 2019) by supplying more social services and more parts of the model "in-house". At the same time, this could lead to the issue of unfit service providers, where the municipalities/regions perform tasks in-house that they are unfit to perform. As our experts argue it is unlikely that the structure currently in place in Sweden, with more involved municipalities/regions, will change, we argue that the advisable best approach to solving this issue is to use objective evaluators to make sure that services rendered meet a certain standard and the work done within the public administration is performed efficiently with the help of said evaluators.

Continuing, there is the question of outcome measures. Disley (2011) reported that "...*considerable analytical work was required in defining the outcome measures* […]". Partly, they argued it had to do with the newness of the model, but it is also about the complexity involved in measuring the outcome of interventions. A similar critique is found in McHugh et al. (2013) article where they argued that the design of SIB projects, which so often have the wellbeing of people as the preferred outcome, makes it hard to know exactly what caused the outcome, and how to correctly measure it. These claims seem to be substantiated for the Swedish market also as all interviewees (i1, i2, i3, i4, i5) voice concerns over the effort and time needed to measure outcomes correctly. (i2) argued that a lot of the work and time were spent due to the fact that no one had done it before, and he had to build everything from scratch. (i5) as a neutral party and advisor, said that there was a lot of work to be done and reporting but they had found that it becomes easier with every new implementation. The question then is whether the administrative burden will decrease enough with future implementation for it to become a viable model. (i2) did

not think that would be the case unless SIBs would be pooled together in larger bonds where the administration could be centralized by specialists. At the same time, (i4) thinks that the municipalities will be able to handle the administrative burden if there is a neutral actor available to assist, like SHIC or SKR. As evident, the opinions on this matter differ between the experts interviewed. We argue this might be due to the varying vested interests for individuals interviewed.

In line with Disley (2011) concerns and the experts' experience in the measurement and reporting of SIB, the SII-framework (Schwartz et al., 2015) describes the need for specialized consultancies for these types of tasks. These could help bring down transaction costs by creating standardized measurement tools for social impact investments. In the first SIB case, SHIC assisted Norrköping in the role of independent expert center, assisting in measurement techniques and data collection, which was very appreciated. However, as (i4) voices concern about, the national capacity to offer these services to more municipalities are not certain, and either SHIC needs to scale up their operation or more actors need to enter the scene to be able to support more SIB being issued in the future.

As discussed by Liebman (2011), there is an inherent risk with the structure of a SIB with different actors that could lead to moral hazard issues. These could potentially rise in conjunction with the contract signing, metrics reporting, and evaluation. Investors, for example, could tilt the results in their favor to meet their financial goals, depending on who actually does the reporting. When asking (i1) (i4) (i5), who all played contrasting parts with different agendas in an actual SIB in Sweden, their response was that they were all aware of the potential problem, but did not feel that it was any threat for them. (i1) stated that in the Norrköping project, the fact that it was the municipality that took the role as a service provider, in contrast to how it usually looks abroad where the service provider is a private entity, made the potential issue much smaller since the municipality had no incentive to change recorded data according to him.

Continuing on ethical discussion of SIB, both Mchugh et al. (2013), and Morley (2019) propose possible negative inclinations of SIB due to the asymmetric information in the formation. Morley (2019) have investigated SIB performed in the UK, where the government's role is simply to pay for success, and not to get involved in the actual service provision, as they do in Sweden. The same argument used for the low risk of moral hazard problems by the experts interviewed was

used here, since the Swedish welfare system looks the way it does, the risk of private investors and service providers taking advantage of it goes down significantly. The authors see this as a plausible explanation, but only if SIB in Sweden takes on the proposed hybrid design.

McHugh et al. (2013) & Morley (2019) critique SIB in their articles as being too focused on problems that are easily quantifiable in their metrics and data. If SIB would gain widespread adoption, this could lead to "simpler" social issues getting more prioritization, and more complex, harder to quantify problems getting pushed back in line. When conducting the interviews with the 5 experts, this was something that the authors found inclination towards as well. When asked about how to perform a successful SIB in Sweden, one of the most common answers given by the experts was that the problem identified should be easily quantified and measured. This, however, does not mean automatically that harder to quantify problems gets overlooked by society as a whole, just that the tool that is SIB will not be used to try and solve them.

As mentioned in *3.3.2 Selection of interviewees*, the authors wish once again, in summary, mention the fact that insights and conclusions drawn by both interviewees and in extension the authors, have been influenced by the interviewees who all, more or less, are incentivized to see SIB increase in popularity and would benefit from increased governmental support, both regulatory and financial. The authors would like to stress that this disclaimer is not intended to function as a warning of questioned intent of the authors or interviewees but rather as an academic obligation to always strive towards full transparency in the world of academia and scientific research.

6. Conclusion

6.1 Background

In answering this thesis research questions, several discrepancies between literature and expert opinion have been found. The main difference between the critique found abroad and within Sweden comes down to different government structures and sizes. In Sweden, a lot of the social services are performed by the local and national government which creates a unique setting. This alters the main concerns of the model as a new set of potential issues arise in the new setting. Moral Hazard between service providers and the government is not as big of a concern as the service providers in many cases are the government. Instead, issues like the proficiency of local government to carry out technical reporting and measurability are found. By and large, however, much of the expert conclusions are in line with prior literature and academic view on SIB. Below we are answering our research questions.

6.2 Answering the Research Questions

Research Question 1: How are Swedish project stakeholders dealing with the intricacies involved in practically implementing a Social Impact Bond?

In answering how successful project outcomes have been strived for, the authors used the SIB diagnostic framework together with prior reported critique and applied it towards the collection of the empirical findings and following analysis. The frameworks included four counterbalancing diagnostic categories including issue-intervention fit, political-regulatory environment, stakeholder involvement, and social economy enterprises. Based on the empirical findings, identified codes could be used to sift out themes in the findings.

Firstly, given the large public sector and big welfare system, a lot of service provision which abroad might be provisioned from private contractors are being provided within municipalities and regions. As such, the main theme that has arisen is the need for specialized consultancies to assist in performing the more technical aspects of the SIB that municipalities, regions, and other bond issuing entities currently can not perform in-house. These consultancies can be advisors, objective evaluators, and centralized entities such as SHIC/RISE, assisting in different stages of the SIB. They assist the bond issuing entities in the most complicated stages of the SIB such as

preparatory work, intervention selection, outcome measuring, and co-operation between stakeholders and our empirical findings indicate an interest in their services from all experts.

As the industry might evolve, the authors argue that the scaling of these specialized consultancies must evolve along with the industry as they play a pivotal role in the implementation of the SIB. Both the experts and SII-framework requested the guidance, knowledge, and connecting tasks that these enable given the right implementation. Since a SIB requires a multitude of different actors to align their interest to reach a successful outcome, the importance of the specialized consultancies that could work as a central unit became clear quickly.

Regarding the empirical criticism target towards SIB, the authors concluded that since a SIB receives a modification when adopted to the Swedish market, a lot of the criticism was made unjustified to our market. Market information asymmetry and moral hazard issues were identified as potential threats, but not on a larger scale. The two criticism that we did found basis on was; that “easier” social issues might get prioritization over harder, more complex ones, and that there goes in a lot of time, and subsequent money, into the data collection and measurement of the SIB that would not have been there if the problems were attacked by another intervention.

Research question 2: How can the Swedish Social finance Infrastructure be developed to facilitate a growing market of Social Impact Bonds?

In determining how Sweden's Social Finance Infrastructure is making or breaking its emerging SIB market, the authors used the SII Framework to identify areas of importance and continued seeking insights into experts' experiences and conclusions through interviews. The SII Framework identifies four key infrastructures that need to be in place to support social investments. They are governmental, intellectual, facilitative, and transactional infrastructure. Based on empirical findings, subsequent coding, and thematization, the overarching theme that needs to be addressed in Sweden for the successful facilitation of SIB comes down to financing. If institutional scale financing can be achieved, the identified problems of lacking facilitative and intellectual infrastructure at scale could be solved. As of writing this, there are actors within these infrastructural spheres interested in SIB, such as SHIC/RISE, Sahlgrenska Science Park, and KI Innovations but as the scale is still limited there are considerable transaction costs to each project that can be lowered by increased scale.

In terms of reaching institutional scale financing for SIB, the experts have argued that the government must decide on one out of a number of routes to take. They could require a certain amount of investment made by pension funds to be put into socially responsible corporations as can be found in France (Schwartz et al. 2015). They could also nudge private investors to increase their investment into SIB by offering favorable tax incentives for doing so. Another route to take could be to incentivize municipalities and regions to try SIB by offering them fiscally beneficial regulation for trying out SIB that could generate national governmental savings in terms of the lowered need for national allowances to municipal and regional governments, if successful. Doing this, the experts argue, more SIB projects could be launched which would solve the other identified infrastructural problems relating to capacity and facilitation which all can be deduced to lacking financing.

In regard to decision-making on the financial incentives that must be put into place to develop the desired intellectual and facilitative capacity, it will be a political question and a decision will have to be made in government to focus on this. Whether or not a decision to try out SIBs on a larger scale in Sweden will be agreed upon will depend on the politicians responsible for our agenda on social finance in Sweden. The authors can summarize their thoughts on the matter by quoting Albert Einstein: "The definition of insanity is doing the same thing over and over again but expecting different results.

6.3 Future Research

Given the authors' findings and prior research in the field, the following suggestions for future research have been identified. First off, further investigating how a completely municipal and governmentally run SIB might work could be interesting. The SSIB deployed in Sweden has given the municipality more roles to take on than in a “traditional” SIB, but there have still been private actors involved. It would be interesting to investigate how the model might evolve towards a fully publicly run and funded endeavor and what such a setup might mean for the SIB model. Additionally, investigating the use of SIBs in adjacent social sectors could be of interest. Preventative healthcare is one such area of interest that has been identified which could help improve citizen's health while simultaneously reducing spending on healthcare.

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Appendix

#1. Interview Guide

Interview object – SIB advocate	
Questions	Notes
1. Technical SIB knowledge ● *Varifrån kom idéen att testa sociala utfallskontrakt i Sverige och på Leksell Venture?* ● *Vad var motivationen bakom att testa det? (socialt värdeskapande kontra ekonomisk ersättning)* ● *Upptäckte ni några svårigheter med att ta en utländsk modell som SIB och implementera i Sverige?* ● *Fanns det regulatoriska/tekniska svårigheter med att göra detta?* ● *·Vems initiativ låg bakom ert projekt? Kommun vs Leksell Venture?* ● *Hur kommer SIBs skilja sig från HIBs framgent?* ● *Vad är Karolinskas Intresse för SIBs grundat på?* ● *Hur ser du på applikationen av SIB/HIB inom startups?* ● *Vilken roll ska VC ta inom denna branschen enligt dig?*	

2. Knowledge of SIB environment in Sweden ● *Vad är din uppfattning om utvecklingen inom branschen i Sverige? Blir du kontaktad ofta av olika aktörer som vill utforska möjligheter?* ● *Hur tas förfrågningar emot från kommuner t.ex. när SIB ska diskuteras? Hur ser den processen ut? (Prospekt?) Hur skiljer sig området i Sverige kontra i USA och UK där det utvecklats?*	
3. Implementation of SIB (finding suitable service providers, setting up deals, etc.) ● *Hur ser er implementeringsplan ut på KI?* ● *Är tanken att hitta finansiering åt "inkubatorföretag" som sedan kan evidens-testa sina idéer innan "rollout"?* ● *Vilken roll ämnar KI att ta i SIB processen? (vilken aktör i modellen vill ni vara?)* ● *Hur identifierar ni neutrala mellanhänder?* ● *Hur identifierar ni investerare?*	
4. Knowledge of relevant governmental body (Swedish Healthcare) ● *Hur involverade är de medverkande statliga myndigheterna?* ● *Kontroll-problematik har identifierats i amerikanska och brittiska studier, AKA. staten vill att tjänsteutförare ska rapportera till stat och investerare (vilket resulterar i dubbel rapportering och extra kostnader) är det en problematik ni mött? Är svenska myndigheter kontrollerande eller mer Laissez faires?* ● *Hur ser intresset ut hos myndigheterna?* ● *Hur svårt är det att hitta rätt behovsägare inom den offentliga sektorn?*	

5. Openness/Willingness to change ● *I vilken grad är ni villiga att ändra på hur SIB/HIB traditionellt är uppbyggt? Kommer "Social" alltid vara i centrum på samma sätt som det varit nu? (Dvs. inte ett tydligt företag som service provider)* ● *Om det pågår ett skifte mot ett fokus på startups, hur ser du att dom passar in i nya kontrakt?*	

Interview object – Investors

Questions	Notes
1. Types of investments pursued ● *Vad är er investeringsstrategi/filosofi?* ● *Hur upptäcks nya investeringar oftast? Hittar ni dom? Kommer dom till er? Är ni med och skapar projekten från grunden (som med ett SIB)?*	
2. CSR ● *Skulle ni se på SIB som en enbart social investering, eller finns det rena ekonomiska initiativ också?* ● *Om SIB/HIB verkligen ska få ett genomslag, behöver det enligt er locka till sig klassiska investerare med rent ekonomiska mål? Eller kommer det hålla sig inom filantrop-territorium enbart?*	

3. SIB as an alternative ● *Vem upptäckte det? Hur blev ni introducerade för modellen?* ● *Hur bygger ni upp er kapacitet i området?* ● *Hur föddes första projektet?* ● *Hur tog ni kontakt med kommunen? Varför valdes Botkyrka bla.?* ● *Intresse framåt för SIBs?* ● *Marknadsöversikt?*	
4. SIB/HIB as a financial use for life-science startups ● *How do you think social impact bonds could change the financing for startups within life-science?* ● *Is your opinion that it would be a valuable option to traditional financing for the startups?*	
5. Role of Investor in SIB/HIB Model (Leksell) ● *Were you the creators of the SIB?* ● *Do you aim to have an active role in finding projects or only work as an investor?* ● *Do you have any future SIB planned? (Or was this the one?)*	
6. Learnings from executed SIBs ● *What have been the main learnings from the SIBs you have executed to date?* ● *Do you see any structural issues or problems?* ● *What would you like to develop further ahead?*	