

**An exploration of Social Impact Bonds as a  
Social Development Strategy. A South African  
case study.**

**Ropafadzo Malvin Nhaitayi**

**NHTROP001**

**Supervisor: Dr. Emma Campbell (UCT)**

**Thesis Presented for the Degree of**

**DOCTOR OF PHILOSOPHY**

**in the Social Development Department**

**Faculty of Humanities**

**UNIVERSITY OF CAPE TOWN**

**August 2024**

The copyright of this thesis vests in the author. No quotation from it or information derived from it is to be published without full acknowledgment of the source. The thesis is to be used for private study or non-commercial research purposes only.

Published by the University of Cape Town (UCT) in terms of the non-exclusive license granted to UCT by the author.

## Plagiarism Declaration

I know and understand that I cannot use someone else's work as my own. Plagiarism is wrong, which is why it is imperative that when I use someone's work, I acknowledge the author. Every contribution in this work has been acknowledged, intext-cited and referenced. I declare that this is my own original work. This thesis has not been presented or published by any institution or author in the past, this is the first time that is being published. I have used University of Cape Town's Harvard referencing style for in-text citation and the reference list.

I have not allowed and will not allow anyone to copy my work with the intention of passing it off as his or her own work.

Signature 

Signed by candidate
---------------------

Date \_\_\_\_\_

# ABSTRACT

South Africa faces significant and complex socio-economic challenges, such as high levels of poverty, unemployment, income inequality, and incessant electricity supply shortages, the result of which is a negative impact on productivity and the economy, as well as the livelihoods of the most vulnerable people in the country (Erero, 2023; OECD, 2019; Mubangizi and Mubangizi, 2005). Traditional funding approaches for social development, such as funds from the Treasury and development aid, have yielded mixed results, prompting the need for innovative solutions. De Witt (2018) calls for the deployment of innovative financing mechanisms as a possible solution to traditional social development financing. This study considered one such innovative financing solution, namely Social Impact Bonds (SIBs). This exploratory qualitative research employed multiple case studies and examined the design and implementation of the two pioneering SIBs in South Africa, the Impact Bond Innovation Fund (IBIF) and Bonds for Jobs (B4J). Data collection involved face-to-face interviews and a focus group discussion with key stakeholders. Document analysis was also conducted to augment interview data. The data generated were analysed using a combination of NVivo 14, as well as an adaptation of Tesch's (1990) approach where data were coded and organised into themes, categories, and sub-categories. The study identified SIBs as a potential alternative to traditional funding; the findings showed that both case studies were successful, as they met their outcome targets, were able to demonstrate innovation, and were also able to repay investors. The research also found that several challenges were encountered in the design and implementation of the SIBs, including high costs, lengthy setup times, and the COVID-19 pandemic. Additionally, the lack of specific SIB legislation presented hurdles during design and implementation. The findings from this research demonstrate the potential that SIBs carry, as such the findings can be thought of as providing a roadmap of issues to consider when designing and implementing SIBs in South Africa. The research concludes by offering recommendations for further research and the design of future SIBs in South Africa, including the establishment of a supportive regulatory framework and streamlining the design and implementation process.

# ACKNOWLEDGMENTS

I want to thank several people who have been with me throughout this journey.

First and foremost, I want to express my deepest gratitude to the Lord for his unwavering blessings. This journey was a formidable test, but He provided the strength and resilience I needed to persevere. Thank you, Lord.

I want to thank my supervisor, Dr. Emma Campbell, without whom this research would not have been possible. I am grateful for your guidance and for going above and beyond the call of a supervisor. Thank you for spurring me on during those difficult times when I felt like giving it all up. Your generosity with your time and expertise made all the difference.

I would also like to thank several people who helped me in various ways in the past few years, Steve Schlesinger, for your many “boosts”, which were like shots of energy that kept me going. My friends/ “parents” Maarten and Janine Van Beuingen, you provided unwavering support, both emotionally and practically. Kudakwashe Donald Makumbe, your listening ear and steadfast presence were a constant source of comfort. My dearest friends from the ‘DRW’ group, you gents were there for me through some of the most challenging times, thank you. My friends from BMC, you guys gave me laughs when I needed to de-stress. My pastors, Tasi and Memory Makuvatsine, thank you for your prayers and for checking up on me when the world seemed dark and lonely. Special thanks also go to my former boss and friend, Gail Kirchmann; words cannot fully express how much you mean to me and how much I have valued your support. I am also grateful for the last-minute editing skills that you provided.

I am grateful to James and Lizzie Ross for being the type of friends everyone ought to have. Thank you to my good friends, Tinashe and Sharmaine Mhlanga, Gerald and Monica Mujeyi, and Kundikai Mukombwe and Tatenda Chisi; you have been blessings in my life.

I would also like to thank my family. Thank you, Tafadzwa Nhaitai, for your support when I needed it; thank you, my cousin, Almond Nhaitai, for constantly checking up on me, especially when I would go quiet. Many thanks to my cousin and her husband, Fungisai and Onias Badze, who made it possible to start this journey.

I am grateful to my amazing sisters, Rumbidzai, Violet, and Ruvimbo, as well as my brothers-in-law, Nicholas, Gibson, and Norman, for your presence and words of affirmation that enlightened my life.

I am incredibly grateful to my mother, Mrs. I. Nhaitayi. I cannot thank you enough for your support and encouragement, even when I doubted myself. Thank you for the scriptures you shared and for your prayers, which carried me during this journey. May God bless you, always.

Lastly, to the love of my life, the “Chi”, to my “Po” – Chipo. You have been my rock throughout this entire journey. Thank you for taking on so much at home while I focused on my studies. You are my pillar of strength, and I would not be here without you. Thank you for holding down the fort, caring for Darcy and her furry friends, and always believing in me. I love you more than words can express.

# DEDICATION

I dedicate this thesis to the children in my family: my beautiful daughter, Darcy Ropafadzo Nhaitayi, as well as my nieces and nephews, David Damian Sibanda, Kelvin Blazo, Naishe Blazo, Kayden Blazo, Ruvarashe Mazingaizo, Caitlyn Mazingaizo, and Mufaro Mazingaizo. Hard work always pays. You are LIMITLESS, and do not let anyone tell you otherwise. May you be inspired to follow your dreams, whatever they may be. Your papa and uncle loves you all very much.

# LIST OF ABBREVIATIONS

ASGISA	Accelerated and Shared Growth Initiative for South Africa
AAAA	Addis Ababa Action Agenda
AMCs	Advanced Market Commitments
ANC	African National Congress
AU	African Union
B4J	Bonds For Jobs
COD	Cash on Delivery
CCTs	Conditional Cash Transfers
CRISA	Code for Responsible Investing in South Africa
DSD	Department of Social Development
DAC	Development Assistance Committee
DAG	Development Assistance Group
DIBs	Development Impact Bonds
ECD	Early Childhood Development
ELOM	Early Learning Outcomes Measure
ESG	Environmental, Social, and Governance
EPRS	European Parliamentary Research Service
FCW	Foundation for Community Work
GIIN	Global Impact Investing Network
GPOBA	Global Partnership on Output-Based Aid
GEAR	Growth, Employment, and Redistribution
GDP	Gross Domestic Product

GNI	Gross National Income
GNP	Gross National Product
GOLAB	Government Outcomes Lab
GTAC	Government Technical Advisory Centre
HIC	High Income Countries
HREC	Human Research Ethics Committee
IBIF	Impact Bond Innovation Fund
IoDSA	Institute of Directors in Southern Africa
IJR	Institute for Justice and Reconciliation
IMF	International Monetary Fund
LICs	Low Income Countries
LMIC	Low and Middle-Income Countries
MDGs	Millennium Development Goals
MICs	Middle Income Countries
NDP	National Development Plan
NGO	Non-governmental Organisation
NPC	National Planning Commission
OBA	Output-based Aid
ODA	Overseas Development Assistance
OECD	Organisation for Economic Cooperation and Development
OEEC	Organisation for European Economic Cooperation
PBF	Performance-Based Financing
PforR	Programme for Results

PFMA	Public Finance Management Act
POPIA	Protection of Personal Information Act
PPIA	Princeton School of Public and International Affairs
RBA	Results Based Aid
RBF	Results-Based Financing
RDP	Reconstruction and Development Programme
RDT	Resource Dependence Theory
SDGs	Sustainable Development Goals
SIBs	Social Impact Bonds
Stats SA	Statistics South Africa
UK	United Kingdom
UN	United Nations
UNGA	United Nations General Assembly
UNPRI	United Nations Principles for Responsible Investment
UNNVR	United Nations Voluntary National Review
USA	United States of America
WESS	World Economic and Social Survey



2.5	The need for a better financial system .....	46
2.5.1	The International Monetary Fund (IMF).....	47
2.5.2	The World Bank .....	48
2.5.3	The Marshall Plan.....	50
2.6	Post-World War 2 development.....	51
2.6.1	Development between 1945 and 1970: The emergence of ODA.....	51
2.6.2	Development between 1970 and 1980s: Liberation of former colonies.....	55
2.6.3	Development between 1980 and early 1990s: Structural Adjustment and the rise of NGOs, and the end of communism.....	57
2.6.4	The new millennium and development: The rise of global development goals .....	61
2.6.5	Sustainable Development Goals.....	64
2.7	Does aid work as a development tool?.....	65
2.8	Innovative financing .....	70
2.8.1	Defining Innovative finance .....	71
2.8.2	Tracking the evolution of innovative finance.....	72
2.8.3	Types of Innovative Financing.....	80
2.9	Overall chapter summary .....	85
CHAPTER THREE:RESULTS-BASED FINANCING AND SOCIAL IMPACT BONDS.....		86
3.1	Introduction.....	86
3.2	The case for aid effectiveness .....	86
3.3	Defining RBF.....	88
3.4	Social Impact Bonds .....	93
3.4.1	Defining SIBs .....	93
3.4.2	The rise of SIBs .....	94
3.4.3	How SIBs are structured.....	95
3.4.4	Role players in a SIB model.....	96
3.4.5	SIB Benefits.....	100
3.4.6	SIB Challenges .....	105
3.4.7	SIBs in South Africa: Presenting the case studies .....	111
3.5	Overall chapter summary .....	119
CHAPTER FOUR: METHODOLOGY .....		120
4.1	Introduction.....	120
4.2	Research aims and objectives revisited.....	120

4.3	Research design.....	121
4.3.1	An interpretivist perspective.....	123
4.3.2	Case study design .....	123
4.4	Population and Sampling .....	125
4.4.1	Population.....	125
4.4.2	Sampling.....	125
4.5	Data collection approach.....	130
4.5.1	Document analysis.....	130
4.5.2	Interviews .....	131
4.5.3	Focus group discussion.....	132
4.5.4	Pilot interview .....	133
4.6	Data collection instrument .....	133
4.6.1	Research validity .....	134
4.6.2	Research Reliability.....	135
4.7	Data analysis .....	135
4.7.1	The use of NVIVO 14 .....	136
4.7.2	Tesch’s qualitative data analysis model .....	137
4.8	Ethical considerations .....	139
4.9	Reflexivity.....	140
4.10	Overall chapter summary .....	141
CHAPTER FIVE: DATA ANALYSIS AND PRESENTATION OF FINDINGS .....		142
5.1	Introduction.....	142
5.2	Participant demographics.....	143
5.3	Presentation of themes and subthemes.....	145
5.3.1	Theme 1: Key considerations when designing SIBs .....	146
5.3.2	Theme 2: SIB Challenges and Strengths .....	169
5.3.3	Theme 3: SIB legislation .....	206
5.3.4	Theme 4: SIBs and improved outcomes.....	212
5.3.5	Theme 5: How much did the SIBs innovate?.....	227
5.4	Overall chapter summary .....	237
CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS .....		239
6.1	Introduction.....	239
6.2	Research aim and objectives .....	239

6.3	Key findings that emerged from the study .....	240
6.3.1	Key considerations .....	240
6.3.2	Challenges associated with SIBs .....	241
6.3.3	SIB legislation .....	242
6.3.4	Improved outcomes .....	243
6.3.5	Innovation.....	244
6.4	Recommendations.....	244
6.4.1	Recommendations for future SIBs .....	244
6.4.2	Recommendations for further research.....	249
6.5	Limitations of the study .....	250
6.6	Concluding statement.....	251

## List of Appendices

<b>APPENDIX A: INVITATION TO TAKE PART IN RESEARCH .....</b>	<b>282</b>
<b>APPENDIX B: CONSENT FORM .....</b>	<b>283</b>
<b>APPENDIX C: ETHICAL APPROVAL .....</b>	<b>285</b>
<b>APPENDIX D: APPROVAL TO UNDERTAKE RESEARCH IN THE WESTERN CAPE .....</b>	<b>286</b>
<b>APPENDIX E: INTERVIEW SCHEDULE: GENERAL .....</b>	<b>287</b>
<b>APPENDIX F: INTERVIEW SCHEDULE: EXPERTS .....</b>	<b>290</b>
<b>APPENDIX G: SUSTAINABLE DEVELOPMENT GOALS .....</b>	<b>291</b>

## List of figures

Figure 1: SIB structure. Adapted from Bergfeld et al., (2016) .....	97
Figure 2: IBIF structure. Adapted from Intellidex (2021). .....	115
Figure 3: SIB structure. Adapted from Intellidex (2021). .....	119
Figure 4: SIB structure. Adapted from Bergfeld et al., (2016) .....	172

## List of Tables

<i>Table 1: Overview of innovative financing categories. Adapted from Elmer et al (2018)</i> .....	81
<i>Table 2: IBIF overview. <b>Researcher's own creation.</b></i> .....	113
<i>Table 3: B4J overview. <b>Researcher's own creation.</b></i> .....	117
<i>Table 4: Research Participants</i> .....	129
<i>Table 5: Adaptation of Tesch's qualitative data analysis model</i> .....	138
<i>Table 6: Participant demographics</i> .....	143
<i>Table 7: Participant job title</i> .....	144
<i>Table 8: Summary of themes and subthemes</i> .....	146

# CHAPTER ONE: INTRODUCTION

## 1.1 Introduction

South Africa is classified as an upper middle-income country (MIC), ranking it as one of the largest economies in Africa (World Bank, 2022). Yet despite such a high ranking, the country continues to struggle with high levels of poverty, unemployment, and income inequality. Many countries worldwide face similar challenges, with many governments having to find innovative solutions to their citizens' social difficulties. While progress has been made in human development indicators in recent years, significant global challenges remain. The United Nations estimates that half a billion people the world over live on less than US\$1,25 each day, meaning that they are living in conditions of chronic hunger and abject poverty (Gustafsson-Wright et al., 2017). Mulgan et al., (2007) argue that there is a considerable gap between what there is and what ought to be there, between what the people need and what they are offered by the government, the private sector, and non-governmental organisations (NGOs).

To address the social challenges its citizens face, the South African government created the National Development Plan (NDP) to eliminate poverty and reduce inequality by 2030 (South African government, 2011). South Africa is also a signatory to regional and international development plans like the Sustainable Development Goals (SDGs), a comprehensive global governance framework for sustainable development (Jong and Vijge, 2021), and the African Union (AU) Agenda 2063, Africa's blueprint for inclusive and sustainable development.

While the development plans (NDP, SDGs, and Agenda 2063) are grand, with their objectives noble, the challenge faced by the South African government is financing the plans and ensuring that outcomes are met as efficiently and effectively as possible. Most governments, particularly in the developing world, are faced with shrinking budgets and recurrent budget deficits; as such, they are not able to spend much money on social development projects, hence the need for alternative and innovative funding methods to finance these projects (De Witt, 2018; Gustafsson-Wright et al., 2017). The traditional ways of funding social development have not worked, as evidenced by the continued prevalence of socio-economic challenges. Governments need to consider innovative solutions to address these issues.

Over the past decade and a half, researchers have explored strategies to enhance development finance effectiveness. Social investments, which combine financial returns for investors with public welfare benefits and poverty reduction, have emerged as a key focus (Rizzello & Care, 2016; Mulgan et al., 2010). Characterised by repayable finance aiming for both social and financial returns (OECD, 2020; Dowling, 2016), social investments encompass a range of financial instruments, all aiming to use the funds for the attainment of social impact goals. Ogujiuba and Mngometulu (2022) suggest that the scope of social investment extends beyond social development and contributes to economic transformation, by empowering people to be fully integrated into the market as possible. While the social benefits of social investments are evident, Dowling and Harvie (2014) highlight their economic rationale. These investments emerged as a response to the need for new economic growth drivers, offering investors opportunities for profit. The success of social ventures directly correlates to investor returns.

Within the wide range of social investment products spectrum, Social Impact Bonds (SIBs) have gained prominence as a promising approach (Good Finance, 2024; Rizzello & Care, 2016).

Carnoy and Marachi (2020) define SIBs as an innovative financing mechanism in which governments or commissioners enter into agreements with social service providers to pay for the delivery of predefined social outcomes. The SIB concept allows philanthropically focused investors to use their funds for the public good with the prospect of receiving a profit for the investment while simultaneously reducing the burden on governments, which often do not have resources (Roman, 2013). Warner (2013) suggests that SIBs integrate philanthropy, venture capitalism, performance management and social programmes into an innovative mix. SIBs offer a potential solution for funding social programmes by leveraging private investment. This approach can facilitate partnerships between governments, investors, and social service providers, potentially addressing social challenges with greater resources and expertise.

Although SIBs have been in development in other parts of the world for over a decade, the concept is relatively new in South Africa, with only two SIBs having been concluded. Little research has been done on those SIBs concluded in the country. In this chapter, the researcher will introduce the study by setting out the problem statement, briefly describing the rationale and significance of the study and the research questions. The chapter will then clarify the concepts and research ethics that the researcher had to consider. The chapter will end with an outline of the dissertation structure and a summary of the chapter.

## 1.2 Problem context

South Africa faces the triple challenges of poverty, unemployment, and inequality, much of which is a by-product of the country's apartheid history (OECD, 2019; Mubangizi and Mubangizi, 2005). Over 25% of the population experiences food poverty, and there is high unemployment, particularly for the youth aged 15 to 24 years, where 51% are unemployed; inequality is also high, with the country being viewed as a dual economy, having a Gini coefficient of 0.67 (World Bank, 2022). The country also suffers from rampant electricity supply shortages, directly impacting productivity and the economy (Erero, 2023). The economic crisis induced by the COVID-19 pandemic, against a backdrop of weak economic growth, further exacerbated the country's socioeconomic challenges and directly impacted the livelihoods of the most vulnerable people in South Africa (Gustafsson-Wright, Osborne, and Crane, 2021).

Statistics South Africa (Stats SA) (2019) points out that progress has been made in the country to redress the injustices propagated by the apartheid system. In the new, democratic South Africa, there are increases in access to basic services and rights like education, human rights, health services, water, and electricity, among many other services and rights. The World Bank (2022) also holds a similar view that South Africa has taken steps to improve the well-being of its citizens since the transition to democracy in 1994, although progress has stalled in the last decade. The IJR (2021) reports that between 2014 and 2018, there was a decline in the expansion of essential services like electricity and piped water, with the quality of the services provided remaining uneven.

## Macrolevel policies

Much to its credit, the South African government has done its best to respond to the country's social challenges. Ogujiuba and Mngometulu (2022) suggest that since the fall of Apartheid, South Africa has been exploring measures to reduce poverty and inequality while improving economic growth. Since 1994, the South African government has had a series of successive plans that aimed to foster development, with the latest instalment being the National Development Plan (NDP):

- In 1994, the **Reconstruction and Development Programme (RDP)** commenced, whose aim was the mobilisation of people and the country's resources to meet basic needs, eradicate poverty, as well as redistribution, and securing human rights (Stats SA, 2019).
- In 1996, the **Growth, Employment, and Redistribution (GEAR)** policy was implemented. It sought to meet basic needs and foster fast economic growth, leading to job creation (ANC, 1997).
- The **Accelerated and Shared Growth Initiative for South Africa (AsgiSA)** was launched in 2006. It aimed to address the constraints to inclusive growth, halving poverty and unemployment between 2004 and 2014 (Stats SA, 2019; SA Government, 2008).
- The **National Development Plan (NDP)** was developed after consultations with many stakeholders nationwide. The NDP commits to eliminating poverty and reducing inequality by 2030 (NPC, 2012).

The South African government has also been a signatory to regional and international development plans:

- In 2000, South Africa was party to the **Millennium Development Goals (MDGs)**, which sought to create an environment conducive to development and eliminating poverty.
- In 2015, South Africa committed itself to achieving the **Sustainable Development Goals (SDGs)**, a comprehensive global governance framework for sustainable development with goals, targets, and indicators in the areas of poverty reduction, environmental protection, human prosperity, and peace (Jong and Vijge, 2021).
- Also in 2015, South Africa and the other member states of the **African Union (AU)** adopted Agenda 2063, Africa's blueprint for inclusive and sustainable development (AU, 2015).

While South Africa's current development framework, the NDP, predates the SDGs and the AU's Agenda 2063, there are synergies between the frameworks. There is a seventy-four per cent (74%) convergence between the NDP and the SDGs on priority areas such as job creation, the elimination of poverty, the reduction of inequality, and the growth of an inclusive economy (UNVNR, 2019). The United Nations Voluntary National Review (2019) suggests that South Africa has made significant progress in reducing extreme poverty through a progressive, pro-poor tax system that supports the provision of social assistance and free basic services.

South Africa arguably has one of the most extensive social security systems in the world for a developing country (Frye, 2008). Mubangizi and Mubangizi (2005) define social security as a wide range of public and private measures that provide benefits in cash, in kind, or both. South Africa's social security system has made it possible for millions of citizens to access benefits like social grants, which have helped many households with vulnerable population groups such as the elderly, people with disabilities, and children in the fight against poverty (Woolard, Harttgen and Klasen, 2010). Nishimwe-Niyimbanira et al., (2021), as cited in Ogujiuba and Mngometulu (2022), corroborate this point by highlighting social security programmes as a pivotal tool for poverty alleviation. These programmes effectively boost income expenditure among beneficiaries, contributing to their financial upliftment.

However, the system has been fraught with implementation challenges, including corruption by some system administrators. As a result, millions of people, particularly those in rural areas, cannot access the system, further compounding their social challenges (GTAC, 2021; Frye, 2008 Mubangizi and Mubangizi, 2005). As has been highlighted above, South Africa has a pro-poor tax system. A challenge with this system is that due to the high unemployment rates in the country, it becomes increasingly difficult and unsustainable for the government to fund social security for a prolonged and continued period.

The programmes and plans that the government has been running and has been a signatory to have not resulted in the desired results, with funding for the programmes being a critical focal point. Given such a context as described above, there is a need for innovative ways to address the country's social challenges.

Gustafsson-Wright, Boggild-Jones, Segell, and Durland (2017) argue that achieving the SDGs will require the government and multilateral entities to develop innovative financing tools. They further add that while efficient spending is essential in tackling the SDGs, there is a need for more capital to be raised as the annual funding gap to achieve the goals was ever-increasing.

The traditional ways of financing social development, such as aid and grant-making, have not worked, given the country's continued prevalence of socio-economic challenges. Intellidex (2021) suggests that expenditure on social welfare in South Africa has not achieved much. De Witt (2019) agrees with this notion and adds further that the traditional funding approaches for development have been ineffective in addressing complex social issues. As such, there are calls for the deployment of innovative financing solutions to specific challenges that traditional development interventions have failed to address adequately.

Elmer, Zhang, Marino, and Richter (2018) define innovative finance as a set of financial mechanisms that create scalable and effective ways of channelling both private money from the global financial markets and public resources toward solving pressing global problems; one such mechanism that bears considering is a Social Impact Bond (SIB). SIBs, according to Olson, Painter, Albertson, Fox and O'Leary (2022), as well as Bergfeld, Klausner, and Samel (2016), are contractual agreements between several parties- an entity with a mandate to promote social welfare (usually a national or local government), investors that provide upfront capital that will finance social service interventions upfront in exchange for future payouts, and service providers (typically NGOs) that run the social service interventions.

SIBs form part of the larger impact bond concept, which is a results-based financing tool that links socially conscious investors with enterprises that aim to deliver social outcomes (Rizzello and Care, 2016). The SIB concept allows philanthropically focused investors to use their funds for public good with the prospect of receiving a profit (Roman, 2013).

Carnoy and Marachi (2020) suggest that SIBs were designed to legitimise the use of private investor capital in addressing social challenges and promote financial investments in low-income communities that ordinarily would not receive as much government financing. SIBs are designed to allow for increased partnerships among many role players with varied experiences to come together in the pursuit of solutions to social challenges. By bringing together various role players, SIBs can allow for better performance measurement on social development programmes, where the government will only pay for programmes once targets are met, thereby removing the risk of failure from the government. SIBs appear to benefit all the stakeholders, where the public sector can scale up improvements in services, without risking taxpayer funds; investors can make a return on their capital while investing in programmes that contribute to social good (Carnoy and Marachi, 2020). The SIB model also allows NGOs to expand and develop new and innovative programme models (Azemati et al., 2013).

While SIBs are theoretically seen to have many advantages for governments and other players, little or no research has been carried out to validate their effectiveness and impact on outcomes in the South African context. The SIB market is relatively developed in the global north, with hundreds of SIBs having been developed in Europe, the United States of America, and Australia. There is ample research on how the SIBs have fared in those markets.

Only two SIBs have reached the completion stage in South Africa, so the topic is under-researched. This study aimed to explore how SIBs in South Africa were designed and implemented through the perspectives of the people involved in the processes. The study attempted to provide a roadmap of issues to consider when designing and implementing SIBs and determine whether SIBs can offer an alternative funding source for social development projects in South Africa.

### **1.3 Rationale and Significance of the study**

The complex nature of the socio-economic challenges that South Africa faces requires new thinking. The country faces a trifecta of challenges: high levels of poverty, unemployment, and income inequality, among many other challenges. Through the NDP, regional and international development plans like the SDGs, and the African Union Agenda 2063, South Africa has committed to playing its part in eliminating poverty and reducing inequality, among other social ills. However, funding such plans has been challenging, especially considering low economic growth rates. The United Nations (2018) suggests that there is a significant financing gap of an estimated \$2.5 trillion annually that would need to be filled before the SDGs can be met; the consensus is that if sustainable development is to be achieved, the finance raised must be deployed effectively and efficiently. Innovative financing solutions such as SIBs can potentially fund development programmes effectively and efficiently and assist the country in meeting the NDP, SDG, and Agenda 2063 targets.

According to Princeton University's Public Policy and International Affairs (2014), SIBs provide governments the flexibility and opportunity to impact social issues, with the knowledge that taxpayer money will only be spent when outcomes are met.

By shifting the focus of development aid from inputs (like numbers of beneficiaries, etc.) and activity checklists to outcomes, SIBs alter how public resources are deployed to address social issues (Carnoy and Marachi, 2020; La Torre, 2019). As SIBs are a relatively new concept in South Africa, this research sought to explore and fill the knowledge gaps regarding SIBs, as only two SIBs have been designed, implemented, and completed in the country.

There is currently a dearth of knowledge regarding how those SIBs have performed; as such, it is not yet clear whether SIBs work as promised. Using the developmental approach to social welfare, which emphasises the need for collaborations to advance development, a Social Innovation Theory lens, and a Resource Dependency Theory framework, this research sheds light on two case study examples of SIBs while exploring SIBs in general as a possible financing mechanism that the South African government could consider.

This study attempts to inform the design and implementation of future SIBs and seeks to provide a comprehensive framework for SIB design and implementation. The research attempts to understand the dynamics and complexities of setting up and implementing a SIB in South Africa, providing an understanding of the challenges faced by the different stakeholders and offering possible ways of addressing those challenges. Lessons from this study can be used to draw up guidelines or best practices for designing and implementing SIBs, which will be useful for future SIBs if the South African government considers them a viable alternative funding source.

In addition to evaluating the impact of SIBs on improved outcomes, the research can influence and contribute to policy decisions in South Africa as it appraises the SIB legislative landscape in the country. Lessons from the case studies can also be instrumental in charting a course for future SIBs and aiding the South African government in creating an enabling environment that would see outcomes-funded projects thrive.

## **1.4 Topic**

An exploration of Social Impact Bonds as a Social Development Strategy. A South African case study.

## **1.5 Overall Aim**

This research sought to explore the two Social Impact Bonds that were designed and implemented in South Africa.

## **1.6 Main Research question**

Do SIBs offer a viable alternative source of funding for the South African government in its advancement of social development?

The secondary research questions are:

- i. What are the key considerations when designing a SIB in South Africa?
- ii. What challenges are faced by the different role players in implementing a SIB?
- iii. What is the current legislation that governs SIBs in South Africa and how can the legislation be made more effective?
- iv. To what extent do SIBs promote improved outcomes?
- v. In what ways are service providers innovating in service delivery?

## 1.7 Research Objectives

- i. To determine the key considerations when designing a SIB in South Africa.
- ii. To understand the challenges faced by the different role players when implementing a SIB.
- iii. To appraise the legislation that currently governs SIBs in South Africa.
- iv. To appraise the extent to which SIBs promote improved outcomes.
- v. To explore the ways in which service providers are innovating in service delivery.

## 1.8 Research Assumptions

- i. There are many considerations that are considered when designing SIBs such as risks, as well as clear and verifiable outcomes.
- ii. There are many challenges faced by the different role players when implementing a SIB, such as high costs and a lengthy setting-up period.
- iii. No legislation governs SIBs in South Africa.
- iv. SIBs result in improved outcomes.
- v. Service providers are innovative in how they deliver their services.

## 1.9 Clarification of Concepts

**Development:** In this study, this term refers to the advancement of an individual or community's life for the better. This definition links with the South African NPO Act (1997), which defines development as the process of expanding the freedoms that people enjoy, by removing the major sources of unfreedom like poverty, poor economic opportunities as well as systematic social deprivation.

**Intermediary:** These are technical experts who manage the SIB throughout its entire life cycle, from project design and coordination to arranging payments to service providers (Clarke et al., 2018).

**Investors:** These are the entities that are responsible for providing capital upfront for SIB projects and programmes to commence (Bergfeld et al., 2016). Investors range from traditional investors who are seeking a market-related financial return to impact investors who seek only social impact.

**Outcomes Funder / Payer:** This is a government institution that is responsible for identifying the particular social issues to be addressed as well as the desired outcomes (Gustafsson-Wright et al., 2017). They are responsible for paying back investor funds if outcomes have been reached.

**Service provider:** These are typically the local NGOs responsible for the day-to-day running of programmes and projects and their implementation (Clarke et al., 2018). Service providers receive upfront funding and are responsible for executing their programmes or a programme that has been provided to them (Bergfeld et al., 2016).

**Social development:** In this study, social development refers to an activity that results in the improved well-being of individuals and society so that they can reach their full potential. Midgley (1995) defines social development as a process of planned change, where there is an improvement in people's welfare together with economic development.

**Social Impact Bonds:** This refers to the arrangement that sees an investor providing upfront capital to a service provider to provide a social development programme, with the investor receiving their capital back after the successful completion of the programme. Fox and Albertson (2011) define SIBs as a type of payment by results that allows the government to pay a service provider based on the outcomes of their services rather than the inputs or outputs the provider delivers.

## 1.10 Ethical considerations

Social science has general agreements regarding what is appropriate and inappropriate in scientific inquiry (Babbie and Mouton, 2001). Bhandari (2021) defines ethical considerations in research as sets of principles that guide the research design and practice. Iphofen and Tolich (2018) suggest the United Kingdom's Academy of Social Sciences' guiding principles for conducting research as essential for every researcher to be aware of:

1. Social science should be inclusive of different interests, values, funders, methods, and perspectives.
2. All social science should respect the privacy, autonomy, diversity, values, and dignity of individuals, groups and communities.
3. All social science should be conducted with integrity throughout, employing the most appropriate methods for the research purpose.
4. All social scientists should act with regard to their social responsibilities in conducting and disseminating their research.
5. All social science should aim to maximise benefit and minimise harm.

As Bhandari (2021) suggests, ethical considerations are essential, as they protect research participants' rights, enhance research validity, and maintain scientific integrity. With the above in mind, De Vos, Strydom, Fouche and Delport (2005) outline some ethical considerations such as:

### a. Informed consent

Miles, Huberman, and Saldana (2014) suggest that before any research takes place, the most important consideration is whether the respondents have full information about what the study will involve and whether they know their participation is voluntary or not coerced. This consideration states the importance of providing all the relevant information on the goal of the investigation or research (De Vos et al., 2005).

Denzin and Lincoln (2011) propose that this is the most critical consideration as research participants must be fully informed of what will be asked of them, how the collected data will be used, and what, if any, will be the consequences of participating in the research. Arifin (2018) submits that the process of obtaining consent consists of the following:

- Consent should be given freely, with research participants understanding what is being asked of them, and that they should be competent enough to give the consent.
- For participation in the research, participants need to be adequately informed about the research and they should have the power and choice of participating or not.
- Participants' choice to be a part of the research should only be obtained after a thorough explanation of the research process.

The researcher was responsible for ensuring that all research participants were fully informed of the study before they agreed to participate. The researcher sought and obtained ethical approval from the University of Cape Town's Department of Social Development Research Ethics Committee (*See Appendix C*). Following ethical approval, the researcher initially contacted the relevant organisations via email and sent the research proposal and an invitation to participate (*See Appendix A*), together with a consent form (*See Appendix B*) that had to be signed. In that email, the researcher also included some background information on his identity and research intentions. The researcher then asked the organisations to put him in touch with people who met the research criteria. Before the interviews commenced, the researcher introduced himself to the participants and informed them that their participation in the research was completely voluntary and that they had a right to withdraw from the process at any time.

The participants also completed and signed a copy of the consent form as written confirmation of their agreement to participate in the research. The consent form also outlined the research aim, objectives, and questions.

The research also adhered to the Protection of Personal Information Act (POPIA) provisions. POPIA aims to “...*promote the protection of personal information processed by public and private bodies; to introduce certain conditions so as to establish minimum requirements for the processing of personal information...*” (South African government, 2013, pg. 2). POPIA seeks to protect people from harm by protecting their personal information. In keeping with the provisions of POPIA, the researcher was aware that he could not directly approach potential research participants; as such, the researcher approached the organisations that were a part of the SIB mechanisms, introducing the research topic and objectives, and seeking permission to conduct research. Once the organisations had given permission, the researcher then asked for the organisations to forward the research consent form to staff members who met the research criteria. Once the potential research participants had given consent, the researcher then approached the participants via email to set up interview dates and times.

### Deception of subjects

This ethical consideration entails deliberately deceiving participants through withholding information or offering incorrect information to ensure that participants partake in the study where otherwise they would not (De Vos et al., 2005).

The Human Research Ethics Committee (HREC) (2023) suggests that research where relevant material is withheld from participants, or they are intentionally misled is not considered ethical as voluntary and fully informed consent cannot be obtained. All relevant information pertinent to this study was shared with participants to guarantee informed consent and avoid deception.

### Violation of privacy/confidentiality/anonymity

For Fleming and Zegwaard (2018), the identity of research participants must be kept confidential and anonymous. While the terms confidentiality and anonymity may seem similar, they have different meanings. The Association for Research Ethics (2013), as cited by Iphofen and Tolich (2018), refers to confidentiality as keeping participants' data unknown to all but the research team. Anonymity, as Fleming and Zegwaard (2018) suggest, means that the participants' identity is unknown by the researcher. In this research study, only the researcher knew the participants' information, guaranteeing confidentiality. The researcher substituted participant names with codes only he knew so that all data collected would not be identifiable by name.

## **1.11 Dissertation structure**

This dissertation consists of six chapters.

**Chapter One: Introduction:** This chapter provides a roadmap for the entire research as it introduces the study and presents the problem context, as well as the rationale and significance of the study. It also covers the research aim, presents the research questions, as well as clarification of the concepts used in the study, and discusses the ethical considerations that governed the research.

**Chapter Two: History of Financing for Development:** The researcher presents the major theoretical frameworks underpinning the study. It also tracks the evolving concept of international cooperation for development from the post-World War 2 era until the present day. The chapter makes a case for innovative financing of development, as a response to the need for the effective use of financing for development. The chapter ends with a summary of different types of innovative financing mechanisms.

**Chapter Three: Results-Based Financing and SIBs:** This chapter first looks at Results-Based Financing (RBF) and various RBF mechanisms, before narrowing the focus on Social Impact Bonds (SIBs). The chapter then defines SIBs, discussing how they are structured, and the benefits and challenges associated with the model. The chapter then presents the two case studies, the Impact Bond Innovation Fund (IBIF) and the Bonds4Jobs (B4J).

**Chapter Four: Methodology:** This chapter sets out the research problem and provides a summary of the research design, sample selection, data collection approach, and data collection instrument. The chapter presents how data analysis was conducted, touches briefly on the ethical considerations that underpinned the research, and concludes with the researcher's reflexivity.

**Chapter Five: Results and presentation of findings:** This chapter presents and discusses the study findings and provides an interpretation of the findings through an interpretive lens.

**Chapter Six: Conclusions and Recommendations:** This chapter summarises the main findings of the study and makes recommendations based on them. The chapter ends with a discussion of the research limitations.

## **1.12 Overall chapter summary**

This chapter was an introduction to the study. It presented the problem context and rationale of the study, together with the study aim and questions. The chapter also presented ethical considerations and provided the structure of the dissertation. The next chapter delves into the theoretical frameworks and legislation that underpinned this research. It also discusses the history of financing for development, from the Second War to recent times.

# CHAPTER TWO: HISTORY OF FINANCING FOR DEVELOPMENT

## 2.1 Introduction

This chapter first presents the theoretical frameworks that undergirded this study. In this chapter, the researcher also presents the legislation and policies that are relevant to the research. This chapter will then review the literature relating to the need for global development, tracking how the development discourse unfolded from World War 2 until recent times. This chapter will also look at innovative financing as a concept that is relevant to sustainable development and present different types of innovative financing.

## 2.2 Theoretical frameworks

A theoretical framework is an integral part of the research process as it provides structure and vision to a research study, allowing it to flow coherently and logically. Many definitions have been given by various authors on what theoretical frameworks are. A theoretical framework, as Eisenhart (1991, pg. 205) sees it, is, *“a structure that guides research by relying on a formal theory...constructed by using an established, coherent explanation of certain phenomena and relationships”*. Anfara and Mertz (2015, pg. 15) define a theoretical framework as, *“any empirical or quasi-empirical theory of social and/or psychological process, at a variety of levels...that can be applied to the understandings of phenomena”*. Merriam and Tisdell (2016) understand theoretical frameworks as underlying structures or scaffolding of the study.

Continuing with the building analogy, Grant and Osanloo (2014) view theoretical frameworks as blueprints for a house where the researcher is the architect charged with choosing what will be built and how the property will be constructed. Essentially, Theoretical frameworks are guides on what is going to be built (the research study) and provide support to it.

Ravitch and Riggan (2017) submit that a theoretical framework has four (4) purposes:

1. Identifies the theory cluster, where a theory cluster is a combination of theories that are categorised;
2. Identifies specific theories relevant to that cluster;
3. Identifies the theory selected for the study, which includes specifying the theory within the cluster that will be used; and,
4. Stating how the study will contribute to the body of knowledge related to the theory.

The above definitions point to the importance of a Theoretical framework as it helps in understanding the research problem, and providing the basis for which research findings can be interpreted. This research was underpinned by three main theories, the Developmental approach to Social Welfare, the Resource Dependence theory, and the Social Innovation theory.

#### 2.2.1 The Social Development approach/ Developmental approach to social welfare

According to van Breda (2018), social development has been adopted as South Africa's social welfare approach and it is increasingly being adopted in Africa as well as in other parts of the developing world as it calls for the promotion of the well-being of a nation through aligning the human and economic aspects of development. Out of a gathering of academics, government officials, civil society, and many other like-minded people, South Africa's White Paper on Social Welfare (1997) was conceptualised.

In the document, the Developmental approach to social welfare is defined as, “*a pro-poor approach designed to meet the goals of social development*” (Patel, 2005, as cited by Ntjana, 2014). Midgley (1995, pg. 25) defines social development as, “*a process of planned change designed to promote the well-being of the population as a whole in conjunction with a dynamic process of economic development*”. According to Mhiribidi (2010), Patel (2005) uses the terms ‘social development’ and ‘developmental social welfare’ interchangeably and defines the terms as referring to policies and programmes that meet needs, promote rights, manage social problems, and facilitate the maximisation of opportunities to achieve social well-being and the promotion of human empowerment and social inclusion.

In 1994, South Africa became a democratic country, and its people were freed from colonial and Apartheid oppression. The situation obtaining before 1994 was that of racial discrimination and the exclusion of much of the African population from any form of social, political, and economic avenues of advancement (Noyoo, 2021). This deliberate exclusion was institutionalised using various policies and legislation. Van Breda (2018) argues that in the transition from Apartheid to democracy, the key role players in the social welfare space began considering an approach to social welfare that would address the nation, given the country’s history of institutionalised inequality, violation of human rights, racial divide, among many other issues. This is supported by Lombard and Kleijn (2006) who argued that the adoption of a social development approach signalled a commitment by the South African government to transform social welfare services within the broader context of transforming the country by making service delivery accessible and responsive to the needs of the population.

Patel (2008) suggests that the welfare model that had been inherited from colonialism and Apartheid was discriminatory and was an unreliable, and unsustainable method of service delivery, primarily because it had been modelled on the Western European institutional welfare for the white minority, while a residual system of social welfare was in place for blacks.

The developmental approach to social welfare was intended to modernise the welfare system and make it more just, equitable, participatory, and appropriate for the newly independent South Africa (Patel, 2008). The developmental approach is appropriate as it links social welfare programmes more effectively with economic development programmes and recognises that both social and economic development are complementary sides of the same coin and should therefore be pursued simultaneously (Chavalala, 2016; DSD, 2011). Midgley (2010) maintains that this approach recognises that a large social deficit, like lack of access to health, education, housing, etc., is itself a barrier to sustainable economic growth, and so by addressing these issues, economic growth will soon ensue.

Patel (2005) outlines the pillars of the developmental approach in South Africa, where the approach:

- Is **Rights-based**: - it is based on the Bill of Rights as enshrined in the country's constitution, where rights like the right to basic services (houses, education, and health care) as well as equal access to social welfare services are prioritised. In ensuring and providing social welfare to citizens, the government must do so regardless of race or any other barriers.

Midgley (2010) argues that human rights are a prerequisite for authentic citizenship, as such, securing the human rights of all people is a central role of the developmental approach. It becomes the government's responsibility to provide social services to all its citizens who require the services.

- Is a **harmonization of social and economic development:** - Under this pillar, the understanding is that social and economic development are complementary and interdependent, and that economic development in a nation is supposed to benefit the majority, reducing mass poverty and inequality. Economic development at a macro level frequently advantages the few and neglects the majority. According to Midgley (2014), for there to be improvements in the well-being of the citizenry, economic growth should contribute to social development through investments in sectors like health, education, and social welfare. By making such investments in these sectors, it becomes possible for healthy and educated citizens to also contribute to the country's economic growth.
- Is **based on democracy and participation:** - This pillar is a translation of the national and political commitment to democracy and high levels of social welfare services, where those that have historically been marginalised are enabled to be active participants in society (Midgley, 2014; Patel, 2005). It recognises that social welfare beneficiaries should be closely engaged in the planning, delivery, and evaluation of social welfare services. What this means is that for social development to be effective, there needs to be a buy-in from the people who will be benefiting from the services. Development should be more inclusive for it to have an impact on citizens.

- Is based on **Welfare pluralism**: - The developmental approach stresses the importance of partnerships in welfare, where, in the pursuit of social development, there should be collaborations between the government, the voluntary, informal, and commercial sectors. In this setting, the state takes a lead role in achieving social development goals but recognises that it needs other players for the goals to be achieved. It is only through collaboration and collective responsibility that sustainable development can be achieved.
- Is about **bridging the micro-macro divide**: - This pillar calls for the smooth transition between individual, family, group, community, and societal interventions so that social development beneficiaries can receive the most appropriate services. Before the introduction of this approach to social welfare, there was an overreliance on micro (therapeutic, statutory, and residential) interventions, which were not always ideal as access to social work services was racially differentiated and organised (Patel, 2008). Social development is about addressing individual challenges as part of a broader context, as such, any intervention should seek to bring about social and collective change (Midgley, 2010). Patel (2005) advocates for a multi-modal approach to social development, where various strategies are used that include:
  - Poverty reduction and sustainable livelihoods strategies.
  - Family-centered and community-based strategies.
  - Community information, education, and communication strategies.
  - Social policy and planning strategies.
  - Advocacy strategies.

Despite the potential of the Social Development approach and its links with SIBs, it has faced significant criticism. Authors such as Fraser, Tan, Largarde, and May (2016), and Clarke (2007) contend that Social Impact Bonds (SIBs) exacerbate the neo-liberalisation of welfare systems by transforming public resources into profit-generating assets. Since the 1970s, neoliberalism has curtailed the state's role in economic and social spheres, introducing market mechanisms into public service delivery (Cummins, 2018). Traditionally, the state was the primary provider of social welfare through policies and legislation. However, neoliberalism has eroded this function. SIBs align with this trend by prioritising market principles and profit over public service, undermining the state's role. Dowling and Harvie (2014) argue how neo-liberalism has resulted in societal restructuring by removing fiscal intervention from the provision of welfare. Fraser et al., (2016) warn that SIBs prioritise private sector values, subordinating social welfare to profit maximisation. Albertson, Fox, O'Leary, and Painter (2020), as well as Dowling and Harvie (2014), argue that SIBs depoliticise social policy and commodify service users, as the society is seen as a source of wealth to be harnessed. Sinclair et al., (2021) term this process the "financialisation of social welfare," where the government transitions from a service provider to a private sector broker. Tse and Warner (2018) contend that by bringing onboard investors and their financing, SIBs may prioritise low-cost, short-term programmes over more comprehensive approaches, thereby narrowing the scope of potential social investments.

Central to this research, the Social Development theory aligns with the South African government's approach to socioeconomic challenges. This framework provides a robust foundation for understanding how Social Impact Bonds (SIBs) can accelerate development by directly addressing the needs of vulnerable populations.

A global shift from social welfare to social investment states is evident, with nations adopting policies to mitigate social and economic risks, reduce poverty, and foster resilience (Ogujiuba & Mngometulu, 2022; FAO, 2021). Social investments, characterised by repayable finance aiming for social and financial returns (OECD, 2020; Dowling, 2016; Oliver Wyman, 2016), are pivotal in addressing complex social issues. SIBs emerge as a promising pillar within the social investment landscape (Rizzello & Care, 2016). These innovative financial instruments bring together government commissioners and private investors to fund social programmes with repayment contingent on achieving measurable outcomes (OECD, 2020). By combining the strengths of social investments and SIBs, South Africa can effectively target social challenges. While both share the goal of addressing social issues, SIBs' emphasis on measurable outcomes ensures targeted, efficient, and impactful investments that drive progress towards broader social development goals.

### 2.2.2 Resource Dependence Theory

The second theoretical framework that underpinned this study was the Resource Dependence theory (RDT) as developed by Pfeffer and Salancik (1978) who posited that the behaviour of an organisation can only be understood within the context of that behaviour, that is, the ecology of the organisation. The theory illustrates how organisations act and react when it comes to acquiring and maintaining the resources that are needed for their survival (Doyle, Kelly, and O'Donohoe, 2016). According to Drees and Heugens (2013), as well as Hillman, Withers, and Collins (2009), RDT recognises the influence of external factors on the organisation and is premised on the notion that all organisations are dependent on other organisations for the provision of vital resources and that this dependence is often reciprocal.

There are a whole host of reasons why an organisation can be dependent on other organisations, from factors like increased product market competition, and limited credit supply due to global financial crises, many organisations find themselves searching for measures to restore control over their environment (Drees and Heugens, 2013). The environment in which organisations operate necessitates the need for interconnections with other organisations that are crucial to the acquisition of resources. RDT states that organisations need resources to sustain their existence in the long term and that organisations can get these resources from their environment and that other organisations would want and can have the same resources in this environment (Pfeffer and Salancik, 1978). The theory recognises that no one entity is independent, as all actors contribute specific resources, thus needing other organisations to fulfil its mandate (Millner and Meyer, 2021). The theory's main hypothesis is that organisations are constrained by external pressures and demands, with the cornerstone of development being the ability to acquire and maintain resources (Verbruggen, Christiaens, and Mills, 2009). Doyle et al., (2016) support this assertion by arguing how environmental uncertainty and scarcity of resources may constrain and threaten organisations' survival, which becomes more pronounced the critical the resources are to an organisation.

According to Johnson (1995), RDT argues that a given organisation will respond to, and become dependent on those organisations or entities in its environment that control resources that are both critical to its operations and over which it has control. As no single organisation is self-sufficient, organisations are forced to enter exchange relations with other actors who possess the requisite resources (Johnson, 1995). This theory is relevant to the understanding of the relationship between the government, NGOs, and communities that require development strategies as these parties are all dependent on one another.

Young (2000) suggests that the government and NGOs are in a symbiotic relationship, where the government funds public services while NGOs deliver services. Doyle et al., (2016) assert that at the heart of the relationship between the government and the third sector is the flow of resources with the subsequent implications for funding. On its own, the government may not be able to fulfil its mandate to citizens and so requires NGOs to take over some of this work. In the same vein, NGOs require the government to provide a conducive environment in which they operate as well as provide funding for their operations.

Proponents of the theory argue that organisational leaders must find ways of reducing the effects of resource dependency on a few entities by diversifying resource sources to enhance both present and future adaptability (Johnson, 1995). While environments can change and resources become scarce, it behoves organisations to operate as parts of coalitions that contribute resources and support if they are to survive. Drees and Heugens (2013) are of the view that alliances and joint ventures are expected to be formed to facilitate reliable and durable access to the knowledge and resources of partner organisations. Similarly, governments must explore new ways of funding social development programmes, with other actors, to ensure the programmes' viability and sustainability in the future, while resulting in lasting and permanent change. As governments' finances are limited, an injection of additional private capital is needed to finance development projects. This is the symbiosis that RDT speaks of.

Despite its popularity and appeal, RDT has faced substantial criticism. Casciero and Piskorski (2005) contend that the theory's core tenets lack robust empirical support, relegating it to a peripheral role in theoretical discourse. Delke (2015) reinforces this critique, emphasising the inadequacy of dependency as a sole explanatory factor for organisational behaviour. A dearth of empirical evidence has hindered the exploration of additional influential variables. Furthermore, RDT's conceptualisation of critical resources remains ambiguous. Nienhuser (2008) highlights the theory's failure to specify which resources are truly critical for organisational survival. Critics argue that RDT's overemphasis on tangible assets overshadows the significance of intangible resources like knowledge, ideas, and relationships. These often-overlooked elements can profoundly impact an organisation's viability.

RDT offers a valuable framework for understanding SIBs, despite the theory's limitations. By emphasising the crucial role of external resources for organisational viability, SIBs align closely with the core principles of RDT. These initiatives excel at harnessing diverse stakeholder partnerships to combine resources and expertise, thereby tackling complex social challenges. The effective management and utilisation of both tangible (financial resources, human capital) and intangible assets (expertise, partnerships) is paramount to the success of SIBs.

### 2.2.3 Social Innovation Theory

The Social Innovation Theory has its roots in Joseph Schumpeter's (1912) seminal book, *Theorie der wirtschaftlichen Entwicklung/The Theory of Economic Development*. In the book, Schumpeter suggests that economic development takes place as a result of a permanent process of 'creative destruction' and describes the theory of innovation as being the impetus for economic development, where innovation is a result of the execution of new combinations of establishing a new product function (Domanski, Howaldt and Kaletka, 2020; Howaldt and Schwarz, 2017). Other earlier research focused on the sociocultural dimensions of innovation, this thinking was based on Tarde's (1899) thinking that new forms of social relations led to innovation (Farmer, Carlisle, Dickson-Swift, Teasdale, Kenny, Taylor, Croker, Marini, and Gussy, 2018). This thinking was later displaced in favour of a more economic and technological perspective, which then resulted in the concept of innovation being reduced to technological innovation for most of the 20th century (Howaldt and Schwartz, 2017).

Pol and Ville (2009) argue that the term social innovation entered social scientists' discourse at the turn of the new millennium, but there is no consensus regarding what the term means. Howaldt and Schwarz (2017) suggest that this lack of consensus may be a result of the different understandings of what is meant by the notion of 'social'. Various definitions of social innovation have been put forward:

*"Social innovation refers to [any] innovation activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organisations whose primary purposes are social"*. (Mulgan, Tucker, Ali, and Sanders, 2007, pg. 8).

*“Social innovations are new ideas (products, services, and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations”*. (European Commission, 2012, pg. 10).

*“Social innovation is the process for improving, developing, and applying such methods and tools, and it relies on collaboration between people, organisations, and technology to optimise its impact on society globally”* (Farber and Reichert, 2021, pg. 6).

What is evident from the definitions above, as maintained by Mulgan et al., (2007) are the three basic tenets of social innovation, where (i). Social innovations are carried out by organisations that have social goals; (ii). Organisations not only develop social innovations but also diffuse them; and last, (iii). Social innovations are innovative activities and services that must be able to meet social needs. What these tenets suggest, as Mulgan et al., (2007) posit, is when social problems are getting worse, when systems are not working, or when institutions reflect the past rather than the present problem, innovation becomes imperative.

Social innovation becomes a response to unmet, not identified, and unfulfilled needs by the state (Moulaert et al., 2017, as cited by (Rajeseckhar, Manjula, and Paranjothi, 2020). Social innovation has become essential for addressing today’s complex social and ecological challenges as it is the catalyst to social change by bringing novel solutions to social problems (Rajeseckhar et al., 2020; Moore, Westley, and Nicholls, 2012). This theory was relevant to this study as social innovation has resulted in novel ways of financing change being developed, that is innovative finance, particularly Social Impact Bonds (SIBs).

Albertson et al., (2020) suggest that while social innovation can refer to new products and services, it can also be about new processes which make use of social relations to deliver services more efficiently. By that definition, SIBs are a social innovation as they explicitly address human needs. According to the OECD (2016), it can be argued that SIBs are a social innovation as they encourage social innovation through coordination and integration of services. While substantial progress has been made in recent times to improve livelihoods and reduce poverty, the world continues to be besieged by grand challenges (Farber and Reichert, 2021). There is a huge gap, as Mulgan et al., (2007) argue, between what there is and what ought to be, between what the people need and what they are offered by the government, the private sector, and non-governmental organisations (NGOs). This gap can only be closed by social innovation.

Farber and Reichert (2021) maintain that social innovation creates new solutions in the form of products, services, markets, models, and processes that benefit society by addressing social and environmental needs more effectively and efficiently than current public policies and business activities. Elmer et al., (2018, pg. 6) argue that *“in a challenging financial context where traditional forms of development aid are under pressure, innovative financing has emerged as a complementary approach to generate additional and sustainable sources of finance to help reach development goals”*.

The traditional ways of financing social development have not worked, as evidenced by the high levels of inequality and extreme poverty. What is needed is an innovative product that can aid in addressing these issues; many such products involve the use of private capital in the development space.

Elmer et al., (2018, pg. 6) define innovative finance as, “*a set of financial solutions and mechanisms that create scalable and effective ways of channelling both private money from global financial markets and public resources towards solving pressing global problems*”.

Innovative financing can best be understood from the lens of the social innovation theory, where it has become necessary for new finance mechanisms to be developed to tackle current problems. Innovative finance, like social innovation, is guided by three principles, as Farber and Reichert (2021) postulate: *Materiality*, which frames the kind of social or environmental challenges that need to be addressed; *Intentionality*, which delineates the specific social or environmental objectives to close the gaps in relation to the status quo; and finally, *Additionality*, which is concerned with producing beneficial social outcomes that would not occur but for the investment. Between traditional investing and traditional philanthropy lies a myriad of alternative innovative financing options. Innovative finance has two distinct facets: (i) it is a complementary source of capital to traditional development finance (additionality); (ii) it is a way of making development projects more effective and efficient by linking financing to results and redistributing risk (materiality and intentionality).

Despite the potential benefits of social innovation, several criticisms have emerged. Brandsen et al., (2015) highlight the precarious nature of many social innovations, often characterised by short lifespans. Their research indicates that numerous innovations cease operations within a few years of inception. This pattern raises concerns about the sustainability of such initiatives and casts doubt on the long-term viability of SIBs, which may also suffer from similar challenges.

Furthermore, Brandsen et al., (2015) argue that the service-oriented nature of social innovations prioritises transactions and outputs over relationships and outcomes. This shift in focus can lead to an overemphasis on financial returns at the expense of addressing underlying social issues. The human element is often marginalised as profit motives take precedence. Cooper, Graham, and Himick (2016) argue that SIBs represent an economic intrusion into the non-monetary realm of social policy. This incursion has led to the displacement of traditional government social programmes with market-based mechanisms. Such a shift suggests that governments are prioritising profit-making over fulfilling their constitutional obligations to address social needs. Moreover, governments seem to be exploiting social innovation as a means to avoid addressing social challenges directly. As Srinivas (2015) suggests, there is a risk of governments reducing their involvement, delegating responsibilities, and cutting spending while promoting social innovation initiatives to enhance their public image.

In conclusion, despite the criticisms levelled against it, the Social Innovation Theory was highly applicable to this research given the catalytic role of Social Impact Bonds (SIBs) in driving social change. Social Finance (2009), as elaborated by Olson et al., (2022), posits that SIBs can foster innovation in four keyways: *Unlocking new financial resources for social programmes; incentivising evidence-based practices for funded interventions; promoting experimentation with innovative approaches; and redefining government's role from resource provider to strategic partner focused on defining social priorities.* By incentivising experimentation and risk-taking, SIBs enable organisations to develop innovative approaches to persistent social challenges. Through effective resource allocation and expertise, these initiatives contribute significantly to social progress.

## 2.3 Relevant Legislation and Policies

The following section will present an overview of various legislations and policies that were relevant to this study.

### 2.3.1 National Development Plan (2012)

The United Nations (2022) notes how South Africa has shown significant improvements since the advent of democracy: there has been an overall decline in income poverty, there has been increased access to education and health, and a greater provision of public services. Despite these positives, the country still faces the triple challenges of unemployment, poverty, and inequality. In 2011, after a series of consultations and engagements, as a way of addressing these challenges, the South African government developed the National Development Plan (NDP), a document that highlighted the challenges in the country and committed to eliminating poverty and reducing inequality by the year 2030 (NPC, 2012). In the Plan, the South African government pledges to, *“see to it and assist so that all life’s enablers are available in a humane way”* (NPC, 2012, pg. 4).

These enablers include equitable access for citizens to food, housing, and health, among many other such enablers. The NDP is South Africa’s long-term plan for achieving inclusive growth, prosperity, and improvements in the quality of life for the country’s citizens (NPC, 2020). To achieve the aims of the NDP, there is a need for inclusive growth, the strengthening of human capabilities and social protection, as well as the building of a capable and developmental state, with multiple stakeholders rallying together. Through the NDP, the government realises that there needs the interplay of many actors, whose energies and expertise will be drawn upon. Collaboration is critical to the NDP’s success, where all stakeholders and sectors of society must be enabled to participate and deliver on their unique contributions to the national plan (NPC, 2020).

For development to take place, it would be important for the government to take the lead role and create an environment that is conducive to development, while other players bring in their varied expertise. This collaboration is consistent with the welfare pluralism pillar of social development. The NDP takes a leaf from the principles of the Paris Declaration of Aid Effectiveness, a document that was endorsed in March 2005 by more than one hundred countries and international agencies with specific commitments for donors and partner countries to improve aid effectiveness (OECD, 2005). The Declaration calls for signatories to take *Ownership* of the development process, by exercising effective leadership over their development policies and strategies. The Declaration also calls for the *Alignment* of donors' support to partner countries' national development strategies and procedures.

In terms of financing the plan, the government strongly believed that growing the economy would generate the needed resources to foster development. However, critics of this plan argued that achieving an accelerated growth of seven percent (7%) per annum for 20 years was unrealistic. The Institute for Justice and Reconciliation (IJR) reported in a study they commissioned in 2021 that such a growth rate was not attainable. The report further added that there was evidence that the country was no closer to meeting its targets than in 2012 when the plan was launched.

The emergence of the COVID-19 pandemic in late 2019 and early 2020 severely disrupted global economic activity. South Africa, like many other countries, was significantly impacted. The IJR (2021) reported that while COVID-19 set South Africa's economy back by a few years, the economy was not performing well either in the period before COVID-19 as unemployment was already high and the economy was in recession.

A newspaper article by Business Day (2022) reported that the economic crisis induced by the pandemic against a backdrop of weak economic growth had a direct impact on the livelihoods of the most vulnerable people in South Africa, so much so that even South Africa's ruling party, the African National Congress (ANC) confirmed that it was no longer possible for the government to meet its NDP targets. In the absence of the requisite economic growth needed to finance social development projects, other alternative financing mechanisms need to be considered.

Another challenge with the NDP is that it proposes measures that are curative and not preventive. The country's history cannot be ignored when seeking remedial courses of action. However, the focus on remediation is much more expensive to fund compared to intervening to help at-risk populations before they reach the point of needing remediation. Dutschke (2009) argues that when prevention is not successful, a developmental approach is needed as it aims to intervene through early intervention service, which is less costly than late interventions once problems have occurred. It would therefore be cheaper for the government to consider projects and programmes that focus on prevention as they lead to taxpayer savings in the long run, compared to remedial programmes. This ties in closely with the concept of SIBs as they offer preventative, rather than curative programmes.

### 2.3.2 Public Finance Management Act (PFMA) No. 1 of 1999

The aim of this Act is, *“To regulate financial management in the national government and provincial governments; to ensure that all revenue, expenditure, assets, and liabilities of those governments are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in those governments, and to provide for matters connected therewith”* (South African government, 1999, pg. 1).

The Act establishes the duties and responsibilities of government officials in charge of finances and aims to secure transparency, accountability, and sound financial management in government and public institutions. A thorough understanding of this Act was critical to the research as section 51(1)(a), delineates the duties of the accounting authority in a national or provincial department or public entity who must ensure that the particular department or entity has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective. SIBs are subject to similar procurement processes. There is currently a dearth of legislation that addresses and is specific to SIBs.

### 2.3.3 Section 36(1), Pension Funds Act (1956), Regulation 28

The second piece of legislation that was relevant to this research was Regulation 28, under Section 36 (1) of the Pension Funds Act of 1956, as amended in 2011. In the Preamble to the Act, it is stated, *“A fund has a fiduciary duty to act in the best interest of its members whose benefits depend on the responsible management of fund assets...prudent investing should give appropriate consideration to any factor which may materially affect the sustainable long-term performance of a fund’s assets, including factors of an environmental, social and governance character”* (South African government, 2011, pg. 5). The regulation makes provision for fund managers to spread risk by taking consideration of ‘social good’ that is, investing in areas that may be deemed to have a positive impact on the environmental, social, and governance (ESG) aspects of society. The Act highlights a fund’s board’s fiduciary responsibility to invest members’ savings in a way that promotes the long-term sustainability of the asset values when considering ESG issues. While the Act is not explicit on the exact types of investments that funds may consider, it does call on them to consider investing in areas where there will be social and environmental benefits.

Under this provision, Fund Managers can prudently deploy their money in SIBs, where there are definite social benefits, but will also be able to get favourable returns on their investments.

#### 2.3.4 Code for Responsible Investing in South Africa (CRISA), 2011

The last policy document on which this research was based was the Code for Responsible Investing in South Africa (CRISA), which came into effect in 2012. Under these codes, the South African government formally encourages institutional investors (pension funds, insurance companies) and their service providers (asset managers, fund managers, and consultants) to integrate environmental, social, and governance (ESG) considerations into their investment decisions (Deloitte, 2014; CRISA, 2011). CRISA gives guidance on how institutional investors should execute investment analysis and investment activities, as well as exercise rights to promote sound governance (IoDSA, 2011). CRISA is based on five key principles:

- 1. An institutional investor should incorporate sustainability considerations, including environmental, social, and governance, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.*
- 2. An institutional investor should demonstrate its acceptance of ownership responsibilities in its investment arrangements and investment activities.*
- 3. Where appropriate, institutional investors should consider a collaborative approach to promote acceptance and implementation of the principles of CRISA and other codes and standards applicable to institutional investors.*
- 4. An institutional investor should recognise the circumstances and relationships that hold a potential for conflicts of interest and should proactively manage these when they occur.*

*5. Institutional investors should be transparent about the content of their policies, how the policies are implemented and how CRISA is applied to enable stakeholders to make informed assessments.*

The CRISA principles are aligned with those of the United Nations Principle for Responsible Investing (UNPRI), which offers possible actions for incorporating ESG issues into investment practice (IoDSA, 2011). By launching CRISA, the South African government made clear its intention and commitment to ensure that ESG issues are mainstream investment considerations and not peripheral, especially at a time when the world was facing sustainability challenges. According to Deloitte (2014), South Africa is the second country after the United Kingdom to formally encourage institutional investors to integrate ESG considerations into investment decisions. As fund managers mainly use financial values when considering potential investments, CRISA encourages fund managers to consider the social and environmental potentials of investments, all the while maintaining their beneficiaries' interests (Pillay, 2012). CRISA calls for these investors to consider collaborations that will allow for responsible investments with returns both financial and otherwise that will accrue over a long period.

It is in light of this code that investors should consider partnering with the government and other players in advancing social and environmental good. SIBs have the potential to advance the country's social development as they bring in collaborations: the government provides the environment, with finance coming from investors.

## **2.4 The need for global development**

In this section, the research will look at the reasons that necessitated and shaped the thinking around development and how it could be financed and achieved on a global scale. Research shows how, since time immemorial, society has tried to meet and manage needs. Traditionally, individuals, together with their families were responsible for addressing their social problems and meeting their needs. In the past, societies developed mechanisms and policies to assist those who were disadvantaged, vulnerable, and/ or poor (Holscher, 2008). Over time, the responsibility of meeting social needs was taken on by religious organisations which had developed complex and highly organised systems of charitable provision. Eventually, this responsibility was passed on to the state. With the responsibility of social welfare provision and development falling under the state's ambit, Holscher (2008) suggests that social welfare mechanisms became formalised and institutionalised to varying degrees in the form of policies, legislation, state bureaucracies, and civil society organs. However, it was not until World War 2 that talks about development at a global level began to take place.

### **2.4.1 A brief history of World War 2**

World War 2 is the largest, most violent, and most destructive human enterprise in modern human history (Roberts, 2012; Center of Military History, 1992). Approximately fifty million people lost their lives, with unparalleled material resources being expended in the war more than any other human activity. Numerous causes for the war have been given such as the Treaty of Versailles, where, after World War 1, a peace treaty was drafted by the victors, with the loser (Germany) being forced to ratify it regardless of its objections Dwivedi (2020). The treaty imposed humiliating conditions on Germany, sowing seeds of the war.

When Adolf Hitler came into power in 1933 under the National Socialist German Workers' (Nazi) Party ticket, he and his party sought to overturn the treaty in a bid to recover the German territories lost and return to the fold of a 'united' Germany, the German-speaking minorities within the borders of surrounding countries (Center of Military History, 1992). Another reason for the start of the war was the rise of the Fascist dictatorship in Italy, under Benito Mussolini, and Nazism in Germany under Adolf Hitler. It was the belief of Allied forces (France, Britain, and the USA) that the influence of these leaders had to be curtailed.

On the 1<sup>st</sup> of September 1939, German forces invaded Poland; two days later, on the 3<sup>rd</sup> of September, Britain and France declared war on Germany, officially marking the beginning of World War 2 (Catherwood, 2014). The war resulted in an unmatched loss of life, with unparalleled destruction in much of Europe. According to Roberts (2012), it is estimated that ninety-seven percent (97%) of the French rail system was destroyed during the war, with European industries, roads, rail, and canal transport systems being virtually non-existent in 1945. With so much devastation after the war, there was a move to ensure that there would be peace in Europe through economic and industrial integration.

According to Roberts (2012) and Grieco (2000), a defining characteristic of the post-World War 2 era is the increase in economic integration and cooperation among countries that previously would not have worked together. The World Economic and Social Survey (WESS) (2017) reports that the years following World War 2 were marked by an unprecedented speed of economic recovery from the most devastating conflict in the history of mankind, which was combined with profound strength and scale of international cooperation that had never been witnessed.

Having a shared and mutual vision was the impetus needed for cooperation. Such cooperation was essential to prevent the European states from resorting to going to war with one another. The end of World War 2 saw the creation of the United Nations in a bid to ensure that nations would not go to war with one another by being the arbiter of international disputes. Other institutions like the Bretton Woods institutions were created in a bid to oversee development efforts, after the destruction brought by the war.

#### 2.4.2 History of the Bretton Woods Institutions

According to Kwagyang, Ghide, and Haruna (2015), the world economic depression brought about by the effects of World War 1 and World War 2 necessitated the need for a set of multilateral institutions that would be useful in rebuilding, providing a safety net, and structure the post-war economy. Umeonyirioha (2020) agrees with this assertion and suggests that the Great Depression (1929-1939) and World War 2 saw the near collapse of the global monetary system where practices of liberal exchange rates were common, with countries devaluing their currencies so that they could stimulate exports. Such practices were common as there was no one system to govern how countries behaved in a global system. What was needed was the creation of a financial system to ensure thriving economies as well as efficient output in global trading.

It was this thinking that led to the Bretton Woods Conference in New Hampshire in 1944, where the Allied powers, led by the United States of America (USA) and the United Kingdom (UK), sought to restore European prosperity and prevent a recurrence of the economic malaise of the 1920s and 1930s by establishing a post-war economic order that would be based on notions of consensual decision making and cooperation (Masters and Chatzky, 2019; Kwagyang et al., 2015).

Three main institutions were created because of this conference, the International Monetary Fund (IMF), the World Bank, and the World Trade Organisation. The research will only focus on the IMF and the World Bank as they were instrumental in advancing development in developing countries.

## **2.5 The need for a better financial system**

The pre-1914 period was characterised by the dominance of the gold standard as the medium of international exchange, with Britain having the power to act as the world monetary manager, and so setting the rules of financial exchange and the global monetary policy (Igwe, 2018). When the First World War broke out in 1914, the gold standard collapsed as countries began taking independent and disorderly steps (such as fluctuating exchange rates), resulting in the system being dismantled. Bordo (1993) suggests that the architects of the Bretton Woods system wanted a set of monetary arrangements that would combine the advantages of the classical gold standard, that is, exchange rate stability, with the advantage of floating rates, that is, the independence for countries to pursue full national policies.

British and American officials saw the need to formulate rules and understandings to guide national policies following the war to aid the facilitation of common objectives. What was proposed was a more realistic economic coordination system between states, consisting of a global monetary system that would enable states to rehabilitate their economies and enjoy a peaceful life (Igwe, 2018).

According to Bordo (1993), as cited by WESS (2017, pg. 34), “...the intention in creating a multilateral payments system was to avert the mistakes of the interwar period, when wildly volatile exchange rates and the collapse of the short-lived gold exchange standard had led to the transmission of deflation internationally and a resort to devaluations, *trade and exchange restrictions, along with bilateralism*”.

### 2.5.1 The International Monetary Fund (IMF)

The International Monetary Fund (IMF) came into existence in December 1945 because of the negotiations concluded in Bretton Woods, New Hampshire, in the summer of 1944 (Grieco, 2000). The creation of this institution was based on the ideas of key economics experts, namely, the then United States Treasury Secretary, Henry Morgenthau, his chief economic advisor, Harry Dexter White, and renowned economist John Maynard Keynes (Kwagyang et al., 2015). The trio believed that the IMF was the perfect vehicle for creating a stable climate for international trade by harmonising its members’ monetary policies and maintaining exchange stability. According to Dammasch (2006), the IMF aims to promote international monetary cooperation by establishing a global monitoring agency that supervises, consults, and collaborates on monetary challenges. In the institution’s Articles of Agreement, the purpose of the fund is stated to be that of “...*promoting international monetary cooperation and exchange stability, facilitating the expansion and balanced growth of international trade and providing short-term assistance to its members to enable them to correct maladjustments in their balance of payments without resorting to measures of destructive national, or international prosperity*” (IMF, 2004, pg. 2).

When it was constituted, the IMF's role was to focus on 'firefighting' immediate macro-economic problems; this was done through the promotion and maintenance of high levels of employment and real income as well as assisting in creating systems of payment for multilateral trade (Dammasch, 2006). The IMF comprises member states that make decisions based on votes weighted by the members' financial contributions to the Fund. Previously, no international organisation was set up to provide rules or the adequate understanding to guide international economic policies or coordinate the stabilisation of European currencies. The IMF was rightly placed to achieve those objectives. The IMF system was flexible enough to support nationally decided policies and could provide enough stability to avoid competitive devaluation. According to Grieco (2000), the IMF serves as the main institutional mechanism through which member states assure one another that they are not seeking to manipulate exchange rates to achieve an international competitive advantage.

### 2.5.2 The World Bank

The second important institution formed at the Bretton Woods conference is the World Bank. The World Bank's mandate is to improve the capacity of countries to trade by lending money to war-ravaged and impoverished countries for reconstruction and development (Kwagyang et al., 2015). The bank is the most important source of financial aid for developing countries as it uses its financial resources, highly trained staff, and extensive knowledge base to aid developing countries on a path of stable, sustainable, and equitable growth in the fight against poverty (Dammasch, 2006).

The World Bank consists of five (5) institutions that aim to eradicate poverty, namely: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID). However, the term World Bank is usually used to refer to the **IBRD**, which gives loans, guarantees, and other services to middle-income and creditworthy low-income nations to fight poverty, and the **IDA**, which promotes broad-based developmental work in the world's poorest countries by offering interest free credits and grants (Masters and Chatzky, 2019).

The loans offered by the World Bank are essential to states, particularly those still developing, as they provide capital for productive investments, which often lead to improving citizens' living standards and eliminating poverty. At its formation, the bank was originally tasked with rebuilding the economies of post-war Europe; this role has since been expanded to reach the world's developing countries and assist them with their development goals. Where the IMF endeavours at macroeconomic development with a short-term focus, the World Bank's focus is more long-term. As Masters and Chatzky (2019) posit, the World Bank's focus has shifted from partnering with middle-income nations on growth-related programmes toward global poverty reduction. This shift is evidenced by the bank's commitment to eradicating extreme poverty by 2030, as envisioned in the Sustainable Development Agenda.

### 2.5.3 The Marshall Plan

The period from the end of World War 2 can be called the ‘age of international development’, where there was cooperation between and among many countries. As has been alluded to in the previous section, there was consensus that cooperation was needed among European countries so that they could rebuild after the disastrous effects of the war. According to the WESS (2017), in the immediate wake of World War 2, the living conditions in the areas at the centre of the war were horrendous, and many governments ran budget deficits to rebuild both housing and industries. Key to the development of European states was the Marshall Plan, also referred to as the European Recovery Plan; it was a United States of America (USA) initiative designed to assist Western European countries with their post-war reconstruction efforts (WESS, 2017).

Beginning in 1948, the Plan had a four-year implementation period and was designed to help Western European countries restore their production capacity, improve domestic price stability, and help them realign their currencies in the immediate post-war period. During this period, the idea of development was interpreted as being synonymous with economic growth, and so the early concepts of development assumed that there was a direct link between capital investments and economic growth (Sagasti, Benzanson, Prada, Blockus, Casabonne, Lima, and Salop, 2004). Capital investments became critical to European recovery and growth; at its peak, US aid through the Marshall Plan amounted to approximately 40.5% of US exports between 1946 and 1949 (WESS, 2017).

This generous support from the USA helped Western Europe recover financially and fostered stability through efficient resource allocation. The Marshall Plan funnelled billions of dollars from the USA to Europe with palpable and tangible results (Browne, 1997). An important lesson that stems from the Marshall Plan's success is the understanding that international solidarity (cooperation between multiple players) plays an important role in fostering development. The World Economic and Social Survey (2017) maintains that facets of the Plan provide the international community with important lessons as a guide on achieving development cooperation in supporting national efforts towards sustainable development. For sustainable development to occur, there needs to be cooperation and teamwork among different parties.

## **2.6 Post-World War 2 development**

This section will examine the state of development after World War 2, with a particular focus on developing nations. It will examine the theories and discourse that shaped the development space and how aid was instrumental in fostering development within and among developing nations.

### 2.6.1 Development between 1945 and 1970: The emergence of ODA

The concept of aid, as propounded by Aime (2010), has its roots in the Charter of the United Nations (1945), where member nations committed to “*promote social progress and better standards of life in larger freedom and to employ international machinery for the promotion of the economic and social advancement of all people*”. Sagasti et al., (2004) posit that the history of development efforts since World War 2 demonstrates that development does not occur without adequate and sustained levels of investment. In the 1940s and 1950s, the dominant development models maintained that as developing countries had an abundant supply of labour, their economic growth and development were constrained as they lacked investment.

The main theories during this period were the Harrod-Domar growth model (1946) and W. Arthur Lewis' Unlimited Supplies of Labour model (1954). The theories equated economic growth with development and viewed growth in less developed countries as a discontinuous process requiring a large injection of investment. The rationale for foreign assistance was based on the 'Big Push' idea pioneered by Rosenstein-Rodan (1943), who theorised that underdevelopment was caused by insufficient investment across sectors of the economy and in infrastructure. The theory further maintained that developing countries were trapped in a cycle of poverty as low savings and a lack of foreign exchange constrained their growth. The theory proposed that for development to occur, significant foreign capital inflows needed to be injected into developing countries to push them towards industrialisation and the tariff-protected import substitution of manufacturing, which would be the catalyst for growth. Industrialisation was seen as the engine of growth that would pull the rest of the economy behind it. It was, therefore, integral to these countries' development that foreign aid was allocated to supplement domestic efforts. The aid would bring additional and much-needed resources to ignite and initiate investment, economic growth, and income. During this period, most aid agencies funded large capital-intensive projects and neglected policies and programmes related to labour, human capital, and productivity (Edwards, 2014).

Between the 1950s and 1960s, as Edwards (2014) maintains, the mainstream developmental theories assigned importance to finance and investment, where it was assumed that an adequate level of finance was a sufficient condition to bring about development. The conception of economic development still centred on the Gross National Product (GNP) growth as a key objective. This thinking was rooted in Keynesian economics, where it was perceived that capital was an essential ingredient of reconstruction and progress.

It was during this period that the concept of Overseas Development Assistance (ODA) was designed within the Organisation for European Economic Cooperation (OEEC), which later became Organisation for Economic Cooperation and Development (OECD). The goal of both ODA and OEEC was eradicating poverty (Orliange, 2020). The Development Assistance Group (DAG), which later became the Development Assistance Committee (DAC), was established in 1960 and was responsible for the administration of ODA. ODA, as Hynes and Scott (2013) suggest, has its origins in the US-inspired attempt to share the burden of development assistance (the Marshall Plan), with the recognition that there was a need to help less developed countries help themselves through increasing economic, financial, and technical assistance.

The Marshall Plan had given hope about the effectiveness of foreign aid in helping less developed countries with the underlying assumption that underdevelopment, measured in per capita income terms, was caused by insufficient investment (Hussain, 2014; Aime, 2010). For developing countries, which struggled to finance development and did not have enough savings to invest, they had to rely on external sources of funding. This idea was propagated by the writings of Chenery and Strout (1966), who argued that a substantial increase in investment finance led to the rapid growth of the GNP, making it possible for countries to thoroughly use their domestic resources and accelerate growth. The role of aid, according to the Chenery-Strout model (1966), was to bridge the difference between capital investment needs and domestic savings and to finance the necessary increase in imports (the external gap).

ODA became that external funding source as it consisted of flows to developing countries through multilateral institutions (the IMF and World Bank) and official agencies to promote economic development and the welfare of developing states (Orliange, 2020). Yiew and Low (2018) maintain that ODA or foreign aid has been an important economic growth factor throughout history, where ODA assists in countries' development, including social and economic infrastructure and production sectors. In 1961, the United Nations General Assembly, in its Resolution 1710 (XVI), designated the decade as the First UN Development Decade, wherein the UN called upon member states to intensify support to developing countries (UNGA, 1961). According to the UN, the increased support would lead to accelerated progress towards self-sustaining socioeconomic growth and social advancement by the developing nations. Foreign aid became the responsibility of all wealthy democratic states (Orliange, 2020).

Eyben (2014) agrees with the idea of foreign aid being the responsibility of developed countries and suggests that Western European countries and other countries like Australia, Canada, and North America sought to help developing countries 'catch up' to developed countries and aid was the tool with which to do that. The resources from ODA came in various forms, like grants, loans, export credits, mixed credits, associated finance, and private investments, among other forms. In 1970, the United Nations General Assembly agreed that developed countries would make efforts to provide 0.7% of their Gross National Income (GNI) as ODA (Yiew and Low, 2018; European Centre for Development Policy Management, 2012).

According to Browne (1997), during this period, the role of aid was to bridge the domestic resources gap of the developing countries by raising the rates of productive investment. Increased production would result in growth, and increased GDP, thereby increasing opportunities for developing nations to invest more in their development.

The period was also characterised by the Cold War which pitted the West (USA) with the East (the Soviet Union) (Orliange, 2020). According to Roberts (2012), after the end of World War 2, the world was viewed as being divided into three groups of nations: (i). The *First World*, which consisted of the Western democratic and industrialised nations; (ii). The *Second World*, which was made up of communist nations; and (iii). The *Third World* referred to developing nations, which were former colonies and countries that had come under imperial influence but were now free. The Cold War was an ideological battle between the first and second worlds, with each believing that the other wished to spread its influence and dominate the world. As the Cold War progressed, the two superpowers and their allies would use aid to encourage political allegiances (Phillips, 2013). The Marshall Plan, and by extension ODA, became identified with the fortification of the ‘free world’ against the encroachment of communism (Browne, 1997).

#### 2.6.2 Development between 1970 and 1980s: Liberation of former colonies

During this period, a significant shift in development thinking occurred, marking a new era in aid policies. The emphasis on finance and investment gave way to a more comprehensive approach, considering factors such as the quality of the labour force, technology, and government policies, among others. This new perspective, as argued by Thornbecke (2006), recognised that finance alone was not sufficient for economic growth.

The concept of dependency also gained prominence in international arguments, highlighting the unequal flow of benefits in the donor-recipient relationship. This period was not without its challenges. It coincided with the birth of several new states as European powers decolonised. These developing countries, mostly in Africa, the Middle East, and South Asia, were relatively young and faced constraints such as a lack of savings, foreign exchange, and human resources. In this context, foreign aid emerged as a crucial tool to boost economic growth by augmenting productive investment and technical knowledge, as suggested by Aime (2010). Phillips (2013) posits that even after the colonies gained their independence, foreign aid focused on economic development so that these countries could quickly catch up to the developed ones. As the newly independent countries became numerous, their development was recognised as a major challenge and was placed high on the UN agenda, such that these countries received large sums of money from the developed countries as development aid. The bilateral aid was mostly motivated by donor considerations of both a strategic and historical nature as the donors sought to continue their colonial obligations (Browne, 1997).

To ensure that the newly liberated nations were different from their former colonial masters, most of them adopted socialist policies, which gave governments a large role in the economy (Nafzinger, 2006). As Thorbecke (2019) suggests, attaining independence marked the beginning of a new regime for less developed countries involving the evolution from symbiotic to inward-looking growth and from a dependent to a somewhat more independent relationship vis-a-vis the former colonial powers. During this period, as Sagasti et al., (2004) suggest, concepts like marginalisation and exclusion also began to take shape.

Some views called for a broader understanding of the other factors that influenced development, like satisfying basic human needs, interactions with civil society and the private sector, good governance, knowledge, technological innovation, and social capital. This new line of thinking was largely influenced by Robert McNamara, who had taken the role of Head of the World Bank. McNamara promoted using donor funds to meet people's basic needs in health, education, water, and sanitation (Phillips, 2013).

The 'basic needs' strategy, a key development during this period, set minimum standards of family consumption and community services as a yardstick for development. This approach sparked discussions about equitable growth, challenging the assumption that economic growth automatically benefits everyone. As Edwards (2014) suggests, aid policies responded by shifting focus, with a higher percentage of funds devoted to social programmes like health and education. These programmes aimed to directly reduce poverty and strengthen human capital and skills, reflecting a broader understanding of development beyond economic factors. This shift in aid policies aimed to ensure equity and improvements in human indicators of development, instilling hope for a more inclusive future.

### 2.6.3 Development between 1980 and early 1990s: Structural Adjustment and the rise of NGOs, and the end of communism

According to Browne (1997), the surplus global savings balances of the 1970s, partially accumulated by the huge increase in unspendable export earnings by the Western countries, had stimulated substantial lending to developing countries. As many developing countries had adopted socialist policies, they had to borrow from international financial institutions to maintain the social expenditures.

However, the cost of borrowing was ever-increasing, leading to developing countries assuming heavy debts. The heavy foreign debts, reflecting the cumulative effects of decades of borrowing, manifested in increased balance of payments and budget deficits in most developing countries (Thorbecke, 2006). Umeonyirioha (2020) suggests that the loans that were given by the IMF to countries to stabilise their financial positions did more harm than good, as the loans further reinforced their debt.

Browne (1997) argues that after two decades of aid, most of the developing countries were further away from closing the two gaps of the Chenery-Strout model, which further necessitated the need for comprehensive structural adjustment. The 1980s became the 'lost decade', as Thorbecke (2009) argues, as it became necessary for Third World countries before they could resume their path towards development and poverty alleviation, to put their houses in order and implement painful stabilisation and structural adjustment policies. The excessive spending necessitated comprehensive structural adjustments, which were measures designed to close the internal and external resources gaps (Browne, 1997). Donors pressured developing countries to adopt economic policies and models that were more radically market-oriented than their own. The economic structural adjustments meant that further loans to developing countries had conditions attached to them, which made it difficult for these countries to tackle poverty effectively. As Umeonyirioha (2020) maintains, the loans granted by the IMF were subject to conditionality, such that the countries accepting them had to make provisions to resolve the circumstances that had caused the balance of payment (BOP) deficits.

For the developing countries that had adopted socialist policies upon attaining independence, they had put subsidies in many sectors of the economy, as well as free education and healthcare for citizens. With the new loan conditions, it meant that these countries now had to privatise public enterprises, cut down domestic programmes to slash deficits in government budgets, as well as terminate domestic subsidies. The attempts to enforce pure market practices on reluctant hosts failed as no institutions were in place to manage the policies (Browne, 1997). While theoretically, these conditions made sense, they were a disaster in practice. As Umeonyirioha (2020) points out, the conditions were disastrous for developing countries as they harmed the residents' quality of life by reducing economic growth and maintaining a balanced budget. Nigeria, for example, was hard hit by the adjustments as they led to further economic woes, hunger – coupled with rising prices of basic goods and job losses.

The 1980s witnessed the end of multilateralism in the development space. As Sagasti et al., (2004) put it, the traditional role differentiation in multilateral development finance between the IMF and the World Bank was abandoned as the IMF focused more on development finance and structural reform, with the World Bank increasing its role in balance-of-payment support to manage liquidity crises in developing countries. In the first half of the 1990s, stabilisation and adjustments were still the dominant objectives of developing nations. The period was also characterised by the fall of the Soviet Union and the ending of the Cold War, which led to a return to democracy in many countries and increasing participation in development projects (Phillips, 2013).

As Hussain (2014) suggests, aid had been regarded largely as a geopolitical strategic tool at the height of the Cold War. Those countries perceived as partial to the Soviet Union were denied aid by the Western powers.

With the collapse of communism, there was a turning point in international aid as development agencies expanded their scope to provide aid to former communist countries (Eyben, 2014). Olaniyan (2000) suggests that with the collapse of the Soviet Union and the emergence of new states, there was increased demand for ODA, and attention started to shift from developing countries in Africa towards former communist nations, resulting in reduced aid for Africa.

Another reason for the decline in the bilateral and multilateral ODA flows to Africa was due to unfavourable conditions emanating from the developed countries. Olaniyan (2000) suggests that in the 1990s, most developed countries were confronted with the need to reduce budgetary deficits at home and so one of the ways to do this was to cut funding to ODA. Developed countries were at a turning point as there were budget constraints in their nations and growing scepticism as to why they needed to continue funding other countries as ODA at the expense of their own countries' needs (Hussain, 2014). The period also witnessed aid fatigue in developing countries owing to the perceived poor results in the utilisation of aid on the continent. Thorbecke (2006) argues that there was a rising fear in developed countries that aid was generating dependency relationships in poor countries resulting in negative incentive effects that welfare payments have on needy households whose recipients may be discouraged from seeking employment.

The rise of civil society also marked this period. Eyben (2014) suggests that donor countries and agencies were no longer interested in using aid to prop up corrupt and authoritarian governments that had been purporting to fight communism. Civil society was viewed as a watchdog and needed to help protect individuals from an over-dominant state. Funding began to flow more towards such organisations so that they could help deliver basic services to people.

There was also the rise of other players in the development space, particularly wealthy philanthropists like George Soros and Bill Gates, who championed various causes. The focus of aid, as Sengupta (1993) suggests, was that of supporting long-term development projects, which included the building of infrastructure and financing projects of social benefit. Social benefit projects included investments in rural development, health, nutrition, education, and poverty alleviation. In this period, as Browne (1997) suggests, there began the re-evaluation of aid programmes, with the conclusion that aid works, only partially.

#### 2.6.4 The new millennium and development: The rise of global development goals

The latter half of the 1990s was characterised by the realisation that African countries, particularly those in sub-Saharan Africa, were not progressing as much as developing countries in other regions. According to Cleeve and Ndhlovu (2004), the sub-Saharan region was the only major region where per capita income, food, and industrial production were declining. It was evident that the traditional efforts by donors and governments to bring development to the region were failing. Nayyer (2013) suggests that economic growth across the developing world was much slower than in previous decades, which resulted in a discernible increase in economic inequalities between countries and people. The fight against poverty still ranked high on many international agencies like the International Development Cooperation's (IDC) and the Development Assistance Committee's (DAC) agenda (Orliange, 2020).

So critical was the need to address poverty that during the United Nations (UN) Summit on Social Development (1995) that was held in Copenhagen, Denmark, world leaders established goals relating to the reduction of poverty by fifty percent (50%) of 1990 levels (Cleeve and Ndhlovu, 2004). In 2000, the OECD and the UN further adopted and endorsed development goals in the Millennium Declaration, which resulted in the Millennium Development Goals (MDGs). In the Millennium Declaration, world leaders pledged, “...[to] spare no effort to free our fellow men, women, and children from the abject and dehumanising conditions of extreme poverty, to which more than a billion of them are currently subjected. We are committed to making the right to development a reality for everyone and to freeing the entire human race from want” (United Nations, 2000, paragraph 11). The world leaders further resolved to create an environment conducive to development and eliminating poverty. Turner (2011) views the MDGs as a global ‘to-do’ list of eight (8) ambitious goals, with twenty-one (21) targets- step-by-step guidelines on how to achieve the goals and a due date of the year 2015.

The MDGs are:

1. *Eradicate extreme poverty and hunger.*
2. *Achieve universal primary education.*
3. *Promote gender equality and empower women.*
4. *Reduce child mortality.*
5. *Improve maternal health.*
6. *Combat HIV/AIDS, Malaria and other diseases.*
7. *Ensure environmental sustainability.*
8. *Develop a global partnership for development.*

Kumar, Kumar, and Vivekadhish (2016) suggest that until the 1990s, there was a fragmented and disjointed approach to tackling global challenges, owing to the various specialised agencies and funds that held conferences and world summits that all sought to address the different dimensions of development—economic, social, and environmental. With the adoption and ratification of the Millennium Declaration and the MDGs, there was the convergence of the development agenda of various UN agencies like the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the World Health Organisation (WHO), and the United Nations International Children’s Emergency Fund (UNICEF), which previously had been working in silos advancing their objectives (Kumar et al., 2016). Fukuda-Parr, Yamin, and Greenstein (2014) suggest that the MDGs signalled a new chapter in international development because they were comprehensive and had concrete outcomes that could be measured.

The MDGs represented a never-before-seen commitment to global poverty eradication as the goals aimed to make substantial progress towards improving people’s quality of life. Unlike previous attempts, the MDGs presented a unique approach to global development, as they were undertaken in consultation with poor countries that were the focus of development (Brinkerhoff, Smith, and Teegen, 2007). In previous arrangements, like the creation of ODA, developing countries were not party to the discussions around their development (Orliange, 2020); developing countries were recipients, and developed countries were the donors. In the MDG setup, developing countries’ concerns were considered and valued.

Hulme (2010) views the MDGs as the world's biggest promise, a global agreement driven by collaborative multilateral action to end global poverty. The MDGs were also significant in that they recognised the reality that a significant proportion of the world's population was deprived and poor, and so they set time-bound goals to reduce poverty and improve people's living conditions. The MDGs set in motion a shift in the discourse that had shaped the development world in previous decades, where the economic development of developing countries was the ultimate goal (de Jong and Vijge, 2021). The new thinking was that sustainable human development could be attained through eradicating poverty.

#### 2.6.5 Sustainable Development Goals

By mid-2012, as debates about the successors of the MDGs were raging, the UN Secretary-General Ban Ki-moon set the stage for a 'post-2015 agenda', when the MDGs would finish, and created a High-Level Task Force to deliberate what the next steps would be. The result of this process was the creation of Agenda 2030, which heralded the beginning of the Sustainable Development Goals (SDGs). Where the MDGs were drawn up by a group of experts at the UN, the SDGs were the result of a long and extensive consultative process that included open working groups, inputs from civil society groups, thematic consultations as well as country consultations, and participation from the public (Kumar et al., 2016). The SDGs were designed to carry forward the unfinished agenda of the MDGs and sought to realise the human rights of all and achieve gender equality and the empowerment of all women and girls (Fukuda-Parr, 2016; United Nations, 2015). Garrett, Philly, Makhani, and Chakravarthy (2020) believe that delivering the 2030 Agenda for Sustainable Development will require that all sources of finance are scaled up and used more effectively. The SDGs also sought to sustain the momentum created by the MDGs of addressing global challenges through inclusivity and partnership. *[Please see Appendix G for a full list of the SDGs].*

The SDGs presented a comprehensive global governance framework for sustainable development, with goals, targets, and indicators for poverty reduction, environmental protection, human prosperity, and peace. Jong and Vijge (2021) submit that the SDGs are significantly different in composition and focus from the MDGs in that they (the SDGs) expanded the singular objective of the MDGs, that is, poverty reduction. The MDGs offered a narrow conception of development; with the introduction of the SDGs, however, the focus expanded to include four dimensions of development: inclusive social development, inclusive economic development, environmental sustainability, and peace and security. The SDGs are concerned with sustainable development, a more exhaustive view of development.

What is also noteworthy about the transition from MDGs to SDGs, as suggested by Jong and Vijge (2021), is that where the former aimed to stimulate universal aspirations, they were not universal in their focus as they sought to address development challenges in developing countries, with the help of developed countries. With SDGs, on the other hand, all countries, whether developing or developed, work towards achieving them. Orliange (2020) suggests that the universal characteristics of the SDGs imply that they are interconnected and are for all countries to implement.

## **2.7 Does aid work as a development tool?**

Foreign aid effectiveness is a controversial topic in development economics, as Edwards (2014) maintains; this is because of the different schools of thought on the matter. The first school of thought is that aid works, but the aid levels have been too low. The second school of thought is that aid is ineffective as a development tool and has done more harm than good for developing countries. A discussion of these points will be given below.

Development assistance, as Hynes and Scott (2013) posit, has been the standard for measuring donor efforts in supporting development cooperation for years. Olaniyan (2000) argues that since the end of World War 2, ODA has played an important part in the development process as it has led to alleviating poverty in many developing countries, including those in Africa. According to Aime (2010), sub-Saharan Africa has been the largest recipient of ODA since the 1970s, and after several decades of massive aid inflows, many countries in the region have graduated from Low-Income Countries (LICs) - aid-dependent countries- to Middle-Income Countries (MICs).

Levy (1988) investigated the impact of aid on economic growth in sub-Saharan Africa and found a positive relationship between aid and economic growth, which then translated into development. Yiew and Low (2018) support this idea and believe that aid does work as a development tool, as ODA has contributed to reducing the levels of extreme poverty from 1.926 million in 1990 to 836 million people in 2015. Aid has also been useful in ensuring that 91% of children are enrolled in primary education in developing countries, with increased literacy rates from 83% in 1990 to 91% in 2015. ODA has been key in building health and social protection systems in developing countries and has been critical in times of crisis (OECD, 2020).

Aid has also been critical in many developing countries meeting or attempting to meet the SDGs. From the beginning, the MDGs were linked to the need for greater donor financing, where Zedillo et al., (2001) argued that for the goals to be met, US\$50 billion in additional ODA was needed. According to Konig, Club, and Apampa (2020), there is a financing gap of approximately US\$2.5 trillion per year if developing countries are to achieve the SDGs by 2030. This means that there is a need for more funds to be availed for these goals to be attained.

The other school of thought propounded by authors like Easterly (2014) and Moyo (2009) argues that aid does not work and has been detrimental to developing countries. Aime (2010) argues that despite sub-Saharan countries receiving substantial flows of ODA, they have been powerless to overcome their dismal economic performance since the 1970s. Gill (2018) suggests that while half of the sub-Saharan African countries are now classified as MICs, the levels of extreme poverty are unexpectedly high. For example, in countries like South Africa and India, which are not aid recipients anymore and are expected to take care of their citizens, the levels of abject poverty are high. This, as Gill argues, means that aid did not work, and it will probably be a long time before poverty is eradicated with aid. In her highly acclaimed book, 'Dead Aid,' Moyo (2009) argues that aid has fostered dependency, encouraged corruption, and perpetuated poor governance and poverty. Corruption, as Moyo further expounds, results in an overreliance on aid, which then chokes off economic growth and opportunities for the country's citizens. This argument has its roots in the Neo-Marxist ideology, as Carbonnier (2010) suggests, where aid is seen as instrumental for industrialised (developed) countries' dominance over poor (developing countries). Through aid, leaders of Western nations can control the resources of developing countries, creating a dependency on the West (Hayter, 1971). Olaniyan (2000) argues that aid was used by donors who had other objectives besides the promotion of economic development in developing countries. A Neo-Liberal critique of aid stresses the perverse impact of aid, where, as Carbonnier (2010) puts it, ODA contributes to the swelling of staff and the employment of ineffective public administrators in recipient countries.

Moyo (2009) supports this point and further argues that aid fosters corruption by propping up already corrupt governments and increasing the incentive for these governments to interfere with the rule of law and promote their interests. This is a similar argument to the one submitted by Bauer (1976) who emphasised how aid fostered moral problems as it destroyed incentives to adopt good policies by the recipient governments, leading to the misallocation of scarce resources and undermining growth. The higher levels of aid also make budgeting more flexible, which results in fiscal indiscipline as there are no consequences for adhering to budgets.

Umeonyirioha (2020) suggests that several studies have shown no significant effect of IMF lending on economic growth, arguing that such lending had a contradictory outcome on growth and economic well-being in African countries. Griffin and Enos (1970) found no close relation between the amount of aid received by fifteen (15) countries and the GDP growth rate between 1962 and 1964. What they found, however, was that foreign aid encouraged higher consumption of domestic savings. A further criticism of aid is put across by Umeonyirioha (2020, pg. 20), “...it [the IMF] is more preoccupied with developed countries’ interest in financial stability while overlooking the precise interests of underdeveloped countries and countries in transition”.

This is a similar argument to that put forward by Bauer (1974), who argued that using the Marshall Plan as a basis for foreign aid to poor countries was misleading. He argued that the economies of Western Europe needed to be restored while aid-recipient countries needed to be developed; as such, aid is not the appropriate tool.

### **If aid is not working, what then for development?**

Gill (2018) maintains that foreign aid, as tracked by the OECD, has increased five-fold between the 1960s and the 2010s, and yet the levels of extreme poverty are still high in some countries. Aid is being seen as inefficient by many others and a waste of taxpayers' money (Carbonnier, 2010). Since the 1990s, aid levels have been declining, negatively impacting recipients. As Carbonnier (2010) and Hulme (2010) suggest, in the context of declining ODA budgets, new financing mechanisms ought to be developed and implemented to respond to the financial needs of developing countries. In a 2007 report titled *'Financing Development: Aid and beyond'*, the Organisation for Economic Cooperation and Development (OECD) suggests, "...new sources need exploration to the extent to which they are truly additional to existing development finance or whether they would merely offset it, as additional finance for development can be achieved through either higher ODA or new sources of finance" (pg. 71).

In the foreword to the *GREAT Insights* September 2014 issue, Dr. San Bilal argues that developing countries face the challenge of financing development. With aid losing traction as a key source of financing for development, Dr. Bilal calls for and emphasises the need for developing countries to use their strategies to drive and finance their transformation (ECDPM, 2014). Garrett, Phily, Makhani and Chakravarthy (2020) postulate an urgent need to generate and deploy more effective ODA and other financings, including from the private sector, and innovative finance is one critical way of doing this. This links with what Konig et al., (2020) suggest: mobilising additional finance requires deploying innovative financing solutions to specific challenges that traditional development interventions have failed to address adequately. The world is ever-changing, and yesterday's solutions will not work in today's environment, so there is a need to identify new, innovative sources of financing for the problems the world is facing.

## **2.8 Innovative financing**

There is a significant financing gap at the moment that would need to be filled before the SDGs are to be achieved; despite the progress made in meeting some of the SDGs, it is still evident that there are millions of people remaining in extreme poverty, and billions of people still lack access to basic infrastructure and decent jobs (Konig et al., 2020; Gustafsson-Wright et al., 2017). As audit advisory firm KPMG put across in a 2011 report, it has become clear that increases in aid financing are not producing the expected impact. Konig et al., (2020) posit that attaining the SDGs is not only about increasing the finance issued towards the goals but rather, the quality of the capital raised and deployed. The consensus is that if sustainable development is to be achieved, the finance raised must be deployed effectively and efficiently. This then calls for innovative financing solutions.

Innovative financing, as suggested by the Innovative Finance Initiative (2014), is the manifestation of two important trends in international development: an increased focus on programmes that deliver results and a desire to support the collaboration between the public and private sectors. Konig et al., (2020) posit that the core element in the definition of innovative finance is that the additional capital raised should be effectively and efficiently used and that the funds should add value by providing better value for money or by lowering the cost of achieving targeted development results.

### 2.8.1 Defining Innovative finance

Various definitions of innovative finance have been put forward:

*“... [Innovative finance] involves non-traditional applications of solidarity, public-private partnerships, and catalytic mechanisms that (i). Support fundraising by tapping new sources and engaging investors beyond the financial dimension of transactions as partners and stakeholders in development; or (ii). Deliver financial solutions to development problems on the ground”-*  
(United Nations, 2009, pg. 2).

*“is financing that deploys proven approaches to new markets (including new customers and segments), introduces novel approaches to established problems (including new asset types) or attracts new participants to the market (such as commercially oriented investors)...this broad definition includes a variety of financial tools, including mechanisms that raise funds or stimulate actions in support of international development that go beyond traditional spending approaches by either the public or private sectors. Examples include securities and derivatives (e.g. grants, guarantees, loans, bonds and notes), results, output- or performance-based mechanisms (e.g. advanced market commitments, challenge funds and development impact bonds), voluntary contributions (donations as part of consumer purchases) and compulsory charges such as taxes”-*  
(OECD, 2009, pg. 3).

*“Innovative finance is a set of financial solutions and mechanisms that create scalable and effective ways of channelling both private money from the global financial markets and public resources towards solving pressing global problems”* (Elmer et al., 2018, pg. 6).

From the definitions above, innovative finance is fundamentally collaborative, relying on public-private partnerships to mobilise novel resources and address complex social challenges. It represents a paradigm shift from traditional development aid, prioritising innovative strategies, strategic alliances, and measurable outcomes to drive sustainable development.

## 2.8.2 Tracking the evolution of innovative finance

The concept of innovative finance has been part of the development discourse for over two decades. Garrett et al., (2020) suggest that the global community has committed to addressing domestic revenue for the meeting of the SDGs by unlocking new funding sources through innovative financing mechanisms as iterated by the summits and declarations that have been made over the years. This section will briefly track that history through various reports and global summits that have taken place through the years.

### 2.8.2.1 Monterrey Consensus on Financing for Development (2002)

In the foreword to the Innovative Financing for Development publication (2014), the Special Advisor to the Secretary-General of the United Nations in charge of Innovative Financing for Development, Mr. Philippe Douste-Blazy, suggests that the idea of innovative financing mechanisms was launched at the Monterrey Summit that was held in Monterrey, Mexico in 2002, where the objective was finding the means to bridge the widening gap between rich and poor and reaching the MDGs. Heads of state and government had gathered to discuss the future of development where they resolved to address the challenges of financing for development around the world, particularly in developing countries. The world leaders recognised, “...*the value of innovative sources of finance, provided that those sources do not unduly burden developing countries*” (Monterrey Consensus, 2002).

This realisation was important as it paved the way for discussions about what it would take to attain sustainable development. It was an admission that new sources of financing would be needed if the developing countries were to achieve sustainable development.

The Consensus stressed the role of domestic resource mobilisation as key to development. Following the Monterrey Consensus, there was an explosion in the number and variety of new initiatives for financing development with various groupings exploring together innovative ways of raising financing for development. The Consensus was the catalyst for developing countries to pursue the MDGs. The OECD, in a 2009 report, suggests that by treating aid as just one of several finance flows and calling for the private sector to become more involved in development, the Monterrey Consensus symbolised a shift in the discourse on development finance as more actors could take part in the development process.

#### *2.8.2.2 Landau report (2004)*

In 2003, the then French President, Jacques Chirac, commissioned an enquiry into the resources needed to fight against poverty and inequality; the Landau report was the culmination of that enquiry. The report noted the scepticism around the benefits of aid and how developing countries needed to aim toward successful integration into the world economy through economic growth. By noting this scepticism, the report agreed that aid was inadequate and inappropriate as only a third of aid disbursements went towards the fight against poverty. The report also noted a massive financing gap that would need to be addressed if the MDGs were to be achieved (Landau, 2004). The report suggested, as an innovative way of financing development, introducing an international tax system that would be accepted universally.

The report suggested experimenting with different types of taxes and/or market-based instruments like *environmental taxes*, which would focus on sectors not covered by the Kyoto Protocol, such as maritime and air taxes; *financial transaction taxes*, which would be levied on all international payments at a low rate to minimise any adverse impact on market efficiencies; *surtaxes* on multinational corporations' profits; and international *arms purchases taxes*. It was envisaged that by mobilising additional public capital, development goals would be met quickly and efficiently. The report argues that such cooperation was the only way to raise additional finance to push sustainable development forward, as this would ensure global stability, security, and justice in global development. The Landau report (2004) also suggested three conditions for a new financing system, where there should be *additionality*: new resources would have to be truly additional and not substitutes for existing aid flows; *conditionality*, where the consequences of the new financing would be efficiency. Lastly, there should be good *governance*, where the management of new resources would have to be discussed to define the roles and interactions of all potential participants, including international financing institutions, global funds, and civil society. The report concludes that the search for innovative sources of financing was indeed justified.

Following the Landau report, the Presidents of both France and Brazil made a joint declaration at the UN on 'Action against Hunger and Poverty,' where they called for partnerships between developing and developed countries to address the challenges that were common in the world.

### 2.8.2.3 Paris Declaration on Aid effectiveness (2005)

The Paris Declaration of Aid Effectiveness was endorsed in March 2005, by more than one hundred (100) countries and international agencies with specific commitments for donors and partner countries to improve aid effectiveness (OECD, 2005).

The overarching aim of the declaration was to proffer ways in which the quality of aid could be improved, as well as its impact on development. The declaration was organised around five key principles: -

- *Ownership*: - Partner countries exercising effective leadership over their development policies and strategies.
- *Alignment*: - Basing their overall support on partner countries' national development strategies and procedures.
- *Harmonisation*: - Donors' actions being transparent and harmonised with each other.
- *Managing for results*: - Resource management with emphasis on results.
- *Mutual accountability*: - Donors and partners being accountable to each other for development results.

#### 2.8.2.4 United Nations Principles for Responsible Investment (2006)

The United Nations Principles of Responsible Investment (UNPRI) is an investor initiative in partnership with the United Nations Environment Programme- Finance Initiative (UNEP-FI) and the United Nations Global Compact (UNGC). UNPRI's mission is to develop an economically efficient and sustainable global financial system as a necessity for long-term value creation, where such a system will reward long-term, responsible investment and benefit the environment and society as a whole (UNEP, 2006). The UNPRI consists of a set of six voluntary and aspirational principles that integrate environmental, social, and governance (ESG) concerns into mainstream investment decision-making. Traditional investing is concerned with turning a profit, as such, investment decisions are made when there is money to be made.

The UNPRI suggested a unique take on investment decision-making where investors were encouraged to make ‘responsible’ investments into concerns that would have a bearing on the environment, society, and on governance. As Gray (2009) argues, the principles are founded on the conviction that ESG factors can be material to financial interests and affect the performance of investment portfolios, and thus they are important to the fiduciary duty of asset managers.

#### 2.8.2.5 Doha Declaration (2008)

In 2008, world leaders reaffirmed the need to explore innovative sources of finance. In the Declaration, the leaders “...recognise[d] the considerable progress made since the Monterrey Conference on voluntary innovative sources of finance and innovative programmes linked to them...and encourage the scaling up and the implementation, where appropriate of innovative sources of finance initiatives” (paragraph 51, page 21).

#### 2.8.2.6 The Accra Agenda for Action (2008)

At this meeting, world leaders also reaffirmed their commitment to eradicating poverty and promoting peace and prosperity by building stronger and more effective partnerships that would enable developing countries to realise their development goals. The world leaders noted some progress in meeting the MDGs but acknowledged the need to focus on aid quality and volumes, as aid effectiveness was an integral part of the broader financing for development and the meeting of the MDGs (OECD, 2008). The meeting also reaffirmed the need for country ownership of development, where developing countries were free to determine and implement their development policies to achieve their own economic, social, and environmental goals. There was a call for developing countries to build more effective and inclusive partnerships, as such partnerships would allow for the harnessing of the skills and experience of all development actors.

#### 2.8.2.7 Resolution on Innovative mechanisms for financing for development (2010)

The United Nations General Assembly adopted *Resolution 65/146* in December 2010, which confirmed the importance of innovative financing mechanisms for development. The resolution recognised that the mobilisation of financial resources for development and the effective use of those resources was integral to the global partnership for development and the achievement of internationally agreed development goals, including the MDGs (UNGA, 2010).

#### 2.8.2.8 The Busan Partnership for Effective Development Cooperation (2012)

The Fourth high-level forum on aid effectiveness occurred in 2011, in Busan, South Korea. The forum aimed to evaluate progress towards achieving more effective aid and define the future agenda. The Busan Partnership document highlights common principles for all development actors that are key to effective development cooperation (OECD, 2012). The first principle is *Ownership*, where all countries take possession of development priorities; the second is a *focus on results*, where having a sustainable impact should be the driving force behind investments and development efforts in policymaking. Third is *partnerships for development*, where the participation of all actors is essential for development.

There was an appreciation for the diversity that the different role players would bring, and this diversity was viewed as the fodder for development. Lastly, *transparency and shared responsibility* are key principles as for development to occur, there must be transparency and accountability to all citizens. A central characteristic of the Busan Partnership was its emphasis on the role of aid as a complement to other sources of development financing, as there was an appreciation that aid on its own would not break the cycle of poverty (UN, 2012).

The Busan Partnership proposed building stronger relationships between the traditional actors in the development space and the private sector by creating a favourable environment for the different partners. It was of the utmost importance that these partnerships be created to mobilise resources to achieve development goals. Another critical tenet of the Busan Partnership was its focus on results and outcomes, with an emphasis on improved efficiencies and the scaling of early innovative finance (UN, 2012). It was no longer enough to bring in additional financing into development programmes; what was needed was ensuring that the finance added resulted in measurable outcomes.

#### 2.8.2.9 The Rio Summit (2012) (Rio +20)

The Rio Outcome document underscored the role of innovative financing and confirmed the UN's support for innovative financing for poverty reduction. The summit recognised poverty eradication as the greatest global challenge and an indispensable requirement for sustainable development. The world leaders also recognised, “...*that innovative financing mechanisms can make a positive contribution in assisting developing countries to mobilise additional resources for financing for development on a voluntary basis...such financing should supplement and not be a substitute for traditional sources of financing*” (UN, 2012, pg. 51).

#### 2.8.2.10 The Addis Ababa Action Agenda (2015)

The Addis Ababa Action Agenda (AAAA) established a strong foundation to support the implementation of the post-2015 development agenda. The Agenda committed to addressing the challenge of financing and creating an enabling environment at all levels for sustainable development in the spirit of global partnership and solidarity.

In the first paragraph of the AAAA, the heads of state and government “...affirm [their] strong political commitment to address the challenge of financing and creating an enabling environment at all levels for sustainable development in the spirit of global partnership and solidarity” (UN, 2015, pg. 1).

The Agenda provided a new global framework for the financing of sustainable development that aligned all development finance flows and policies with economic, social, and environmental priorities (DESA, 2015). The AAAA conceded that while ODA was crucial for most countries in need, it was not enough to address the development challenges being faced by developing countries and invited businesses to apply their creativity and innovation towards solving sustainable development challenges and to engage as partners in the development process. AAAA encouraged exploring additional innovative mechanisms based on models combining public and private resources. Like other summits before it, the AAAA also reiterated the principle that countries have the primary responsibility for their economic and social development while committing the international community to creating an enabling environment and actively supporting efforts to eradicate poverty and develop sustainably (UN, 2015). The Agenda implored countries to take ownership of development processes and create a conducive environment for businesses to participate in the development process and use their private investments. The AAAA resulted in a terms change, as Orliange (2020) suggests. Developing countries were called ‘*Middle-Income Countries*’ (MICs), using the World Bank’s classification based on size, population, and income level. There were Lower MICs, whose Gross National Income per capita was between US\$1,006 and US\$3,955, while Upper MICs had a per capita income of between US\$3,956 and US\$12,235.

What is evident from the above reports and summits is how the issue of innovative financing has evolved and become a global phenomenon. Innovative financing is integral to the development process. What is also critical, based on the summits, is the importance of partnership and cooperation, where sustainable development can only take place when different role-players use their unique skills and experience in the development process.

### 2.8.3 Types of Innovative Financing

Dafe and Volz (2015) suggest that the UN Conference on Financing for Development in Addis Ababa paved the way for implementing the post-2015 development agenda by looking at key financial and non-financial means of implementing the SDGs. The post-2015 environment has seen the diversification of financing for development where domestic and international funding sources are sourced and required. A critical element of innovative financing, as first identified by the Landau report (2004), is the premise of *additionality*, where interventions to support development result in more funds being availed, over and above what is available in the market (Konig et al., 2020). Innovative finance is about the mobilisation of funds from existing and new sources with the sole purpose of sustainable development. There are many different types of innovative financing. This section will look at the different categories of innovative financing and provide examples of the different innovative finance mechanisms.

Innovative Financing categories							
	Financial products	Risk mitigation mechanisms	Results-Based Financing	Technology enabled solutions	Taxes and Obligatory charges	Voluntary solidarity contributions	Debt management
<b>What they do</b>	Raise funds from capital markets	Mechanisms aimed at reducing perceived risk	Payments for projects linked to meeting outcomes successfully	Financing mechanisms that leverage the use of technology	Compulsory contributions to a country's fiscus	Voluntary contributions to a social or environmental cause	Mechanisms that reduce or extend a country's debt
<b>Examples</b>	Bonds, Loans, Microfinancing, SME financing, Impact Investing Funds, Venture capital and private equity funds	Subsidies, Guarantees, Insurance	Social/Development Impact Bonds, Outcome Based Funds, Advance Market Commitments	Blockchain, Digital technology, Crowdfunding	Taxes	Donations as part of consumer purchases	Debt buydown, Deferred draw down, Debt swap

Table 1: Overview of innovative financing categories. Adapted from Elmer et al (2018).

### *2.8.3.1 Financial products*

Elmer et al., (2010) suggest that this class of innovative financing consists of monetary contracts between parties and allows for the mobilisation of funds from capital markets. These aim to leverage external sources of capital and to stimulate innovation and market-based solutions that would be delivered at scale (Garret et al., 2020). Financial products involve the pooling of investment funds, co-funding, credits and volume guarantees, bonds and notes, loans, microfinance, small to medium enterprises finance, and impact investing. According to Garret et al., (2020), impact investing is also known as Sustainable/Socially Conscious or Ethical investing, where assets are managed using environmental, social, and governance (ESG) strategies. This represents investments made into companies, organisations, and funds to generate social and environmental impact first, alongside a financial return. Such investors would be willing to invest with little expectation of making a rapid profit.

### *2.8.3.2 Risk mitigation mechanisms*

Under this category, there are mechanisms like subsidies (funds provided by the public sector to co-finance part of the investment or business costs) and financial guarantees, which are instruments in which a guarantor agrees to pay money to service a loan by a borrower in the event of a payment default. These instruments aim to address high risks and mobilise private finance.

### *2.8.3.3 Results-based financing*

This ties funds to specific outcomes rather than inputs and enables more accountability among the fund recipients and a more efficient allocation of donor funds to proven and/or promising interventions (Garrett et al., 2020). With this category, funds are paid out only when certain (pre-determined) outcomes have been achieved, allowing the implementing partners to have flexibility in how they achieve the outcomes. Examples of such mechanisms include Social Impacts Bonds (SIBs), Development Impact Bonds (DIBs), and Advanced Market Commitments (AMCs).

### *2.8.3.4 Technology-enabled solutions*

According to Elmar et al., (2018), these mechanisms leverage technology and involve digital methods that enhance the efficiency and effectiveness of financial flows while increasing funding from additional sources. Examples include blockchain, a chain of digital ledgers distributed over a secure and transparent network, and crowdfunding, an internet-based method for raising funds from many individuals or organisations (Taherdoost, 2023; Ante, 2021).

### *2.8.3.5 Taxes and obligations*

This new source of funding is made possible through international and domestic taxes that are compulsory contributions to a state's or country's revenue as dictated by law. An example of this mechanism in action is the international tax on air ticket purchases and domestic sin taxes (alcohol, tobacco, and gambling), with a certain percentage going to UNITAID. The funds raised are used to scale up access to crucial medicines and diagnostics equipment for low-income countries.

### 2.8.3.6 Voluntary Solidarity Contributions

These are entirely voluntary contributions that go to a social or environmental cause. An example is the partnership between RED, a brand created to engage business and consumer power in the fight against AIDS in Africa, and the Global Fund. RED works with the world's best organisations to make unique products with the former's brand. Fifty percent (50%) of the gross profit sales goes to the Global Fund to invest in African programmes that focus on women's and children's health.

### 2.8.3.7 Debt management

This mechanism allows developing countries to manage or reduce their debt on the condition of meeting some desired outcomes. Examples include *debt buy downs*, where a developing country's debt is reduced or extended by a donor paying down the debt on behalf of the country, sometimes conditioned on certain outcomes being attained; *deferred drawdown*, where a country is allowed to defer debt drawdowns and allows for loans to be made available immediately after debt repayment; and finally, debt swaps, where a developing country's debt is forgiven on the condition that the funds that were supposed to be used for the loan repayment be used for a specific purpose. An example of this is Debt2Health, an innovative financing initiative of the Global Fund that helps channel resources of developing countries away from debt repayment towards life-saving investments in health (Garrett et al., 2020).

## **2.9 Overall chapter summary**

This chapter has presented the major theoretical frameworks that underpinned this research. It also tracked the evolving concept of international cooperation for development from the post-World War 2 era until the present day. The chapter showed how global development has been achieved, or at least attempts at development have been made through collaboration and collective responsibility. The chapter made a case for innovative development financing as a logical step from using aid and presented different types of innovative financing mechanisms. The next chapter discusses the concept of Results-Based Financing, with a specific focus on Social Impact Bonds.

# **CHAPTER THREE: RESULTS-BASED FINANCING AND SOCIAL IMPACT BONDS**

## **3.1 Introduction**

The previous chapter, Chapter Two, presented the major theoretical frameworks that supported the research. It then went on to track how the concept of financing for development evolved from the post-World War 2 era until now. A case was then made for innovative financing as a possible solution to development finance challenges. This chapter, Chapter Three, will focus on Results-Based Financing (RBF) as a type of innovative financing mechanism and then zero in on Social Impact Bonds (SIBs), which arise from RBF, as the main focus of this chapter. The chapter will then present the two case studies, the Impact Bond Innovation Fund and the Bonds for Jobs SIBs.

## **3.2 The case for aid effectiveness**

The Global Partnership on Output-Based Aid (GPOBA) suggests that enhancing the effectiveness of development spending has been a priority for stakeholders in the fight against global poverty for many years (GPOBA, 2018). This is mainly because of ongoing budget pressures and the growing attention given to achieving measurable results, particularly in reaching the Sustainable Development Goals (SDGs). Grittner (2013) argues that the focus on aid effectiveness was due to two main reasons: (i). Aid, in general, was not delivering the desired results, and (ii). There was political pressure on budget allocations in high-income countries to provide evidence that money spent on development aid was achieving the desired results.

Eldridge and TeKolste (2016) agree that showing that aid was achieving the desired results became a top priority for policymakers globally as they were striving to ensure that money meant for public service delivery went toward funding effective programmes. Historically, a lot of money has been spent on programmes with little to no tangible results. This way of doing things has changed with growing calls to show value for money. It became important that aid translated into improved outcomes that could be measured.

The call to ensure aid effectiveness was made at several important international forums (*See previous chapter*). It is from these summits that the concept of Results-Based Financing took shape, with the understanding that having a sustainable impact should be the driving force behind investments and development efforts in policymaking. As described in the previous section, at the turn of the new millennium, aid was no longer enough to be given with no tangible results. Donors in developing countries wanted to see improvements in the sectors they were funding (like the health sector, particularly in the maternal and child healthcare spheres). As Sithole (2013) suggests, these donors had invested billions of dollars in programmes that produced mixed results. The introduction and increasing use of results-based funding was a continuation of international efforts to make development aid more effective, as in the past, aid in general often failed to deliver the desired results (Grittner, 2013). Donors now wanted to fund programmes that were seen to be producing results. Previous funding in sectors like health had been directed towards inputs like salaries, construction, and training, among many other activities, which was not enough for donors anymore as they needed to provide evidence to their electorates that the money spent on development aid was achieving results.

Grittner (2013) suggests that the increasing theoretical and practical importance of results-based financing is based on the hope that the approaches will link funding more closely to measurable results than other aid and funding modalities. Klingebiel (2012) asserts that results-based approaches play an important role in development policy, where donors pressure them to justify aid expenditures and provide concrete evidence for the utility of aid budgets.

Eldridge and TeKolste (2016) suggest that many countries, particularly developing countries, face large funding gaps when meeting and addressing public needs. These countries are also faced with a limited capacity to self-finance, which leads them to turn to external and creative financing solutions to close funding gaps and deliver social programmes. Traditionally, donors funded programme inputs, that is, the resources needed to achieve certain interventions (for example, funding teacher posts at a particular school), activities, for example, the construction of schools, and outputs, which were the technical results of an intervention (for example, the number of schools built) (Klingebiel, 2012; Toonen et al., 2012). RBF responded to the limitations of traditional development funding arrangements where payments were contingent on inputs and activities. As a concept, RBF replaces this input-based funding with an outcome-based funding model, where service providers are paid for predefined and verified services (Toonen et al., 2018).

### **3.3 Defining RBF**

Mathonnat and Pelissier (2017) argue that the concept of RBF is shrouded in ambiguity, often being regarded as a close synonym of the term ‘performance-based financing (PBF),’ where the notion of performance relates to the gap between what is potentially achievable and what is achieved.

In PBF arrangements, payments are usually based on a fee for services rendered, that is, the payment to service providers is conditional upon the service provider undertaking specific actions (GPOBA, 2018). By linking payments to service providers with activities they carry out, PBF arrangements incentivise the ‘supply’ side of service delivery, whereas, in an RBF arrangement, both the supply and demand sides are incentivised (Toonen et al., 2012). Various authors have put forward many definitions of RBF. The researcher provides some of those definitions below. RBF is:

*“A financing instrument (loan or grant) to support either physical or non-physical investments within a government programme, with disbursements based primarily on the achievement of pre-agreed results related to the RBF”* (ADBG, 2017, pg. 11).

*“A programme financing arrangement in which payments are contingent upon the achievement of predefined results, which are usually verified by an independent evaluator”* (Instiglio, 2017, pg. 18).

*“Any programme that rewards the delivery of one or more outputs or outcomes by one or more incentives, financial or otherwise, upon verification that the agreed-upon result has actually been delivered”* (Musgrove, 2011, pg. 3).

*“A strategy of financing health care delivery based on results (outputs, performance), which are measured through predefined indicators”* (Sithole, 2013, pg. 38).

The OECD (2013) suggests that the introduction of RBF is a continuation of international efforts to make development aid more effective. RBF differs significantly from other traditional approaches, where aid is given to finance inputs or activities expected to produce results, with a significant risk that those results will not be achieved (SIDA, 2015).

What makes the mechanism different from other mechanisms is that the ‘results’ in an RBF mechanism are defined in advance, with funding contingent on achieving the results.

### **Types of RBF mechanisms**

SIDA (2015) suggests that the term Results-Based Financing (RBF) is an all-inclusive term encompassing all types of results-based payments. The next section will briefly describe some of these payment modalities, as defined by SIDA (2015).

- **Cash on delivery aid (COD Aid)**

This type of RBF mechanism offers a fixed payment for each additional unit of progress achieved towards a commonly agreed-upon goal. The goal can be children who pass their end-of-year exams at school, with payments made for each child who passes the test.

- **Programme for Results (PforR)**

This modality was introduced by the World Bank in 2012. It aims to support government programmes of expenditures and activities. It places special emphasis on strengthening institutions and systems that are essential for the government to achieve desired results. The focus is on systems strengthening rather than building parallel project implementation systems.

- **Output-based Aid (OBA)**

Output-based Aid seeks to aid in the delivery of specific services or outputs. Service delivery is contracted out to a third party that receives a subsidy to supplement or replace user fees. This type of modality is targeted to benefit poorer segments of the population that would only access certain services after a reduction in the cost.

- **Conditional Cash transfers (CCT)**

CCTs use financial incentives to encourage individuals or households to use certain services. The results of this mechanism are made conditional by providing a financial subsidy to an individual or household, which then increases the demand for the services. Examples of such a mechanism include cash payments to individuals who send their children to school or use preventive health services.

- **Advance Market Commitment (AMCs)**

Advance Market Commitments are binding contracts offered by a donor that can be used to guarantee a viable market for service providers. Through AMCs, service providers are encouraged to develop low-cost services or products as they are guaranteed to have a ready market.

- **Social Impact Bonds and Development Impact Bonds**

Social Impact Bonds (SIBs) and Development Impact Bonds (DIBs) are the same concepts applied in different contexts. Collectively known as impact bonds, these types of mechanisms blend impact investing, Results-based financing, and public-private partnerships where investors provide upfront capital for social services with the investment being paid back by an outcome funder on the achievement of agreed results (Gustafsson-Wright et al., 2017). Clarke et al., (2018) suggest that SIBs are a results-based financing structure that facilitates the use of external financing of public services in low and middle-income countries (LMIC), where they are understood to be one of the three types of payment by results models which include Results Based Aid (RBA) and Results Based Financing (RBF), the major difference between the modalities being the funding recipient.

In an RBA modality, funding is disbursed to a recipient government, bearing the service delivery risk (Drew and Clist, 2015). In an RBF setting, funding is given to a service provider who is then responsible for ensuring that services are delivered and ultimately bears the risk. SIBs aim to improve publicly funded services by making funding conditional in achieving results. Investors pay for a project at the start, and if the project is successful, they get their investment back from the government.

DIBs, as they were modelled on SIBs, work similarly, the only difference being that the funds paid back to investors come from external funders such as development agencies, philanthropic donors, and international charitable foundations. Social Finance (2013) suggests that DIBs came about because of the need to improve the quality, efficiency, and local accountability of international development funding. Clarke, Chalkidou, and Nemzoff (2019) highlight the key difference between SIBs and DIBs: in the latter, the funds used are from foreign sources, while domestic funds are used in the former.

The section above has presented different types of RBF mechanisms. Two significant commonalities exist between these types of mechanisms,

- Payment is based on achieved results.
- The relationship between payment and results is predefined.

Proponents of the concept believe that because of the above characteristics, RBF might deliver results that could not have been achieved by other modalities.

## 3.4 Social Impact Bonds

### 3.4.1 Defining SIBs

Over the last few years, interest has grown in developing investment approaches to social issues, with investors and philanthropists showing interest in combining commercial and social returns (Mulgan et al., 2010). It is in light of this that Social Impact Bonds (SIBs) were created. SIBs form part of the larger impact bond concept, which is a results-based financing tool that links socially conscious investors with enterprises that aim to deliver social outcomes (Rizzello and Care, 2016). The OECD (2016) suggests that SIBs are a subset of payment-by-results contracts, where governments pay for the results at the end or various stages of a project, as opposed to paying for inputs. Bergfeld et al., (2016) define a Social Impact Bond as a contractual arrangement between an entity with a mandate to promote social welfare and a private sector investor that will finance social service interventions up front in exchange for future payouts. Carnoy and Marachi (2020, pg. 8) define SIBs as *“an innovative financing mechanism in which governments or commissioners enter into agreements with social service providers such as NPOs and investors to pay for the delivery of predefined social outcomes.* Traditionally, social service programmes are funded based on the activities or inputs; with SIBs, only when a funded intervention has been deemed a success (based on pre-defined outcomes) will investors be paid back their funds, plus interest. McHugh, Sinclair, Roy, Huckfield, and Donaldson (2013) propose that SIBs represent a departure from the traditional financing routes by harnessing social investments from capital markets to meet needs arising from budget cuts.

The term ‘bond’, as Carnoy and Marachi (2020) and Fraser, Tan, Lagarde, and May (2018) assert, is a misnomer as it is not a bond in the typical sense. Bonds, in financial terms, are debt instruments that governments and corporations use to raise funds, whereas SIBs are not pure debt instruments but rather, a contract on social outcomes with a future payment date. The return is contingent, like equity, on the success of the projects being financed (OECD, 2016). SIBs are also known as Payment for Success Bonds in the United States of America (USA) and Pay for Benefits bonds in Australia.

### 3.4.2 The rise of SIBs

SIBs originated in the United Kingdom following the then Prime Minister Gordon Brown’s request for initiatives that would result in partnership between the government and other stakeholders to achieve social action (Eames and Terranova, 2014). De Witt (2019) suggests that the SIB concept rose at a time when traditional funding mechanisms were being seen as ineffective and inadequate in addressing complex social issues as they inordinately focused on inputs and not enough on delivering outcomes. At the same time, the global financial crisis of 2007/2008 and the subsequent economic recession caused many countries to reduce budget deficits and public debt (European Parliamentary Research Service, 2014). This meant that governments had to curtail spending, and in many cases, social services were underfunded. Impact bonds were created to curtail the excessive government spending on programmes that were not making an impact (PPIA, 2014); this resulted in a search for new innovative financing and delivery mechanisms for social services, with the attraction for governments being cost savings.

SIBs were designed to legitimise the use of private investor capital to address social challenges and promote financial investments in low-income communities that ordinarily would not receive as much government financing (Carnoy and Marachi, 2020). Edmiston and Nicholls (2018) further add that SIBs tend to be targeted at vulnerable populations with highly complex needs, which are often vulnerable to exclusion and policy failure. SIBs have thus been designed to address these social challenges that have not been addressed traditionally. The first SIB was launched in 2010 at St. Peterborough Prison in the United Kingdom. The SIB was targeted at reducing recidivism rates among incarcerated young men (Carnoy and Marachi, 2020; Eames and Terranova, 2014). To date, over two hundred and eighty (280) SIB projects have been launched globally, with over seven hundred and sixty million dollars (US\$760 million) raised in project financing (GOLAB, 2023). The projects range from health, education and training, child and family welfare, homelessness, and criminal justice, among many other projects.

### 3.4.3 How SIBs are structured

According to Azemati et al., (2013), SIBs offer a solution to the problem plaguing policymakers, ‘how to keep innovating and investing in promising new solutions when we can’t afford to pay for everything we are doing currently.’ Dowling (2016) maintains that SIBs link a consortium of third-party organisations seeking to address social issues based on a payments-by-results system. SIBs link multiple players through outcomes-based contracts where payment for the delivery of public services is only made following the achievement and verification of predefined outcomes (Clarke et al., 2018). The SIB process is usually initiated when the government (or a government entity) identifies a social service issue and then contracts with an intermediary that is responsible for sourcing a service provider and securing the funding (Child, Gibbs, and Rowley, 2016; Eames and Terranova, 2014).

The service providers get working capital upfront (from an intermediary, who receives funding from investors), eliminating the need to continuously mobilise resources as programmes and projects are funded from the start. As resources are given upfront, service providers have autonomy over how they spend that money to achieve outcomes, resulting in greater flexibility and less effort to manage multiple donors and their requirements.

SIBs also focus on preventative action by focusing on new interventions that may not always have readily available funding. With the introduction of SIBs and private capital to social problems, governments can pay for proven programmes that have a long-lasting impact on society as the programmes supported by SIBs are preventative, rather than curative services. Pue (2016) puts forward that SIB outcomes are measured and evaluated based on present metrics and the investors' financial return is determined based on a payment-by-results contract.

According to Mulvaney and Kriegler (2014), SIBs are structured and work best when:

- There are complex problems, with clear outcomes.
- There is a need for innovative intervention.
- Inputs are unknown.
- There is a need for external risk capital.
- New collaborations or partnerships are needed.

#### 3.4.4 Role players in a SIB model

SIBs typically vary in their nature and composition, but the general structure is found in *Figure 1* below.

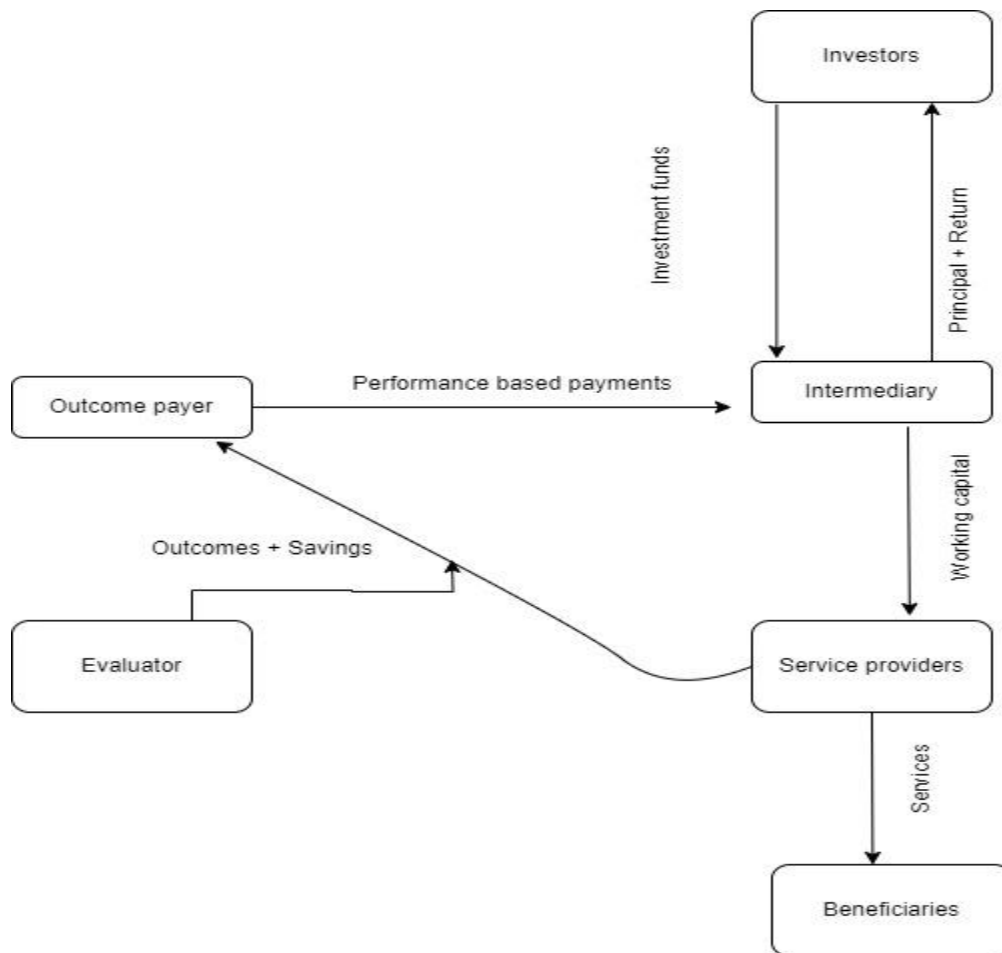


Figure 1: SIB structure. Adapted from Bergfeld et al., (2016)

For SIBs to be implemented, there needs the cooperation and coordination of multiple role players.

Each role player and their functions will be discussed individually below:

a) Constituents/ Target population/Beneficiaries

These are the direct recipients of a social intervention that a SIB is set up to achieve. These beneficiaries can be a community or a cross-section of vulnerable groups. They are the recipients of the services rendered by service providers.

b) Service providers

These are typically the local NGOs responsible for the day-to-day running of programmes and projects and their implementation (Clarke et al., 2018). Service providers receive upfront funding (working capital) from the intermediaries and are responsible for executing their programmes or a programme for which funding has been given to them (Bergfeld et al., 2016). Local NGOs are good service providers as they usually and typically would already be working in the area (geographic or thematic) but often lack funds to try new or implement programmes. SIBs provide them with upfront capital that they might not have, and they are free to use the funds as they see fit since there are no dictated inputs or prescribed activities, just outcomes to be achieved (Huckfield, 2020). Introducing private capital creates the space for experimentation and innovation among service providers (Edmiston and Nicholls, 2018). SIBs allow NGOs to innovate and find best practices to successfully implement programmes.

c) Investors/ Private funders

Investors are responsible for providing capital upfront for SIB projects and programmes to commence (Bergfeld et al., 2016). Investors in impact bonds, as Gustafsson-Wright et al., (2021) maintain, range from traditional investors who are seeking a market-related financial return to impact investors who seek only social impact. By providing the capital, investors take on risk as their return is dependent on the successful implementation of the projects. Investors' capital is only repaid once agreed-upon target outcomes are met.

d) Intermediaries

These are technical experts who manage the SIB throughout its entire life cycle, from project design and coordination right through to arranging payments to service providers (Clarke et al., 2018). Intermediaries take on various roles during the life of a SIB as they need to have the technical expertise to get together the other players in the setup. Tshikululu, (2019) as well as Social Finance (2013) suggest that intermediaries play a critical role in the design and implementation of SIBs as they support the negotiation of agreements and convene stakeholders to strike agreements regarding the SIB transaction process, including agreeing on monitoring and evaluation.

They are also responsible for obtaining capital from independent commercial or philanthropic investors, who will receive their returns when performance targets are met (Azemati et al., 2013). Intermediaries need to possess a host of skills in their role, like project management and relationship management skills, as they will be dealing with diverse groups. They would also need to capacitate service providers in areas where they lack while being able to conduct due diligence by ensuring that project funds are managed effectively and efficiently.

e) Outcome payer/funder

Also known as the commissioners, these are typically public sector agencies and/or governments that are responsible for identifying the particular social issues to be addressed as well as the desired outcomes (GOLAB, 2023; Gustafsson-Wright et al., 2017, Social Finance , 2013). The outcomes payer is responsible for setting the pay scales and defining the outcomes to be measured (Bergfeld et al., 2016).

When target outcomes are met, the outcome payer is responsible for paying the investor the initial capital they put up plus a return based on the successful outcomes.

f) Evaluator

Given the high stakes, as SIBs rely heavily on data and the successful implementation and achievement of target outcomes, a reliable and credible performance evaluator becomes important. The evaluator is responsible for monitoring the success or failure of the programme (EPRS, 2014). The evaluator monitors ongoing project progress and works with the service provider and intermediary in refining the programme, based on interim results.

### 3.4.5 SIB Benefits

There are many benefits for the role players participating in a SIB mechanism. Below are some of the benefits that can be realised:

a. **New sources of funding**

SIBs are useful to countries that often struggle to attract enough low-cost, flexible funding to support the scaling-up of socially valuable services (Oroxom et al., 2018). Gustafsson et al., (2017) suggest that in addition to bringing in new sources of funding, impact bonds also bring in private investors to new sectors and geographies where they would not necessarily have worked. SIBs infuse private capital into under-resourced sectors, creating social service infrastructures that lessen the harms experienced by those in crisis while reducing their burden on the state. SIBs provide bespoke investment opportunities that would appeal to a new generation of socially minded impact investors.

Linked to this benefit is the notion of the ‘logic of cashable savings,’ where governments pay for the cost of services out of the savings produced by the positive outcomes achieved through preventive social programmes (Pue, 2016). Carnoy and Marachi (2020) suggest that SIBs aim to rationalise partnerships in addressing social problems as this saves taxpayer money. As SIBs enable governments to finance only effective services, SIBs generate savings and increase efficiency in public finance expenditure (Huckfield, 2020). Dowling (2016) suggests that the cost savings are three-fold: *A reduction in the historical cost of delivering outcomes; future cost reductions; and projected cost savings achieved by avoiding future expenditures.* By engaging in a SIB transaction, governments can save a lot more through offering preventative services rather than curative services, allowing them to pay for programmes that are a sure success.

While SIBs promise to unlock new funding sources, research indicates that the reality is often different. Rather than attracting a broad base of investors, SIB funding primarily originates from charitable foundations and high-net-worth individuals. Olson et al., (2022) found that SIBs have struggled to attract for-profit investors. This discrepancy can be attributed to the divergence in return expectations: institutional investors demand market-rate returns, while social investors are often willing to accept lower returns for social impact (Dowling and Harvie, 2014).

#### **b. Risk transfer**

A key attraction of SIBs is their provision of external sources of funding. As has been discussed previously on how SIBs came into being, impact bonds were first launched in the aftermath of the 2008/2009 financial crisis as governments had to reduce their spending (Gustafsson-Wright et al., 2017).

The impact bond model allows governments to engage private investors in funding social programmes, and only have to pay back the principal and returns for successful outcomes. This setup is ideal for risk-averse governments that operate with shrinking budgets. By transferring risk to the private sector, proponents of SIBs argue that they increase innovation as private actors are more willing to take on risks than the government (Pettus, 2013).

As the government only pays for impact, the monetary risk is shifted from the government to private investors, ensuring that taxpayer funds are spent on programmes that achieve results (Eames and Terranova, 2013). Griffiths and Meinicke (2014) also add that the transfer of risk ensures better efficiency of spend and allows governments to experiment with more innovative and less established programmes. SIBs are, therefore, the appropriate vehicle for delivering genuine opportunities to solve complex social issues. The purported risk transfer mechanism of SIBs has faced scrutiny. Research by Sinclair et al., (2021) and Carnoy and Marachi (2020) indicates that most SIBs achieve their performance targets, often due to the replication of proven interventions on similar populations. Olson et al., (2022) found that SIBs predominantly fund scaled-up programmes rather than pilot initiatives, further mitigating risk for investors. These findings challenge the notion of significant risk in SIB investments.

### **c. Promoting improved outcomes**

SIBs represent an entirely new approach to social interventions, as traditionally, organisations had to follow specific inputs and activity checklists. De Witt (2019) contends that traditional funding mechanisms (grant making, donor aid, etc.) fall short in addressing complex social issues as they emphasize inputs and not delivering outcomes. One way of ensuring that money is better spent is to tie funding to the achievement of results.

According to Mulgan et al., (2011), fundamental to SIBs' success is the fact that they require the development of credible, reliable, and verifiable improvements of social outcomes, where all parties concerned want to see real societal change and so agree on robust, measurable metrics using evidence-based interventions. Instead of limiting organisations by having them meet predetermined deliverables, organisations can adapt and improve their programmes to achieve the desired results. By introducing quantitative metrics into non-profit performance management, SIBs allow for improved effectiveness and efficiency as they establish reliable metrics for measuring performance (PPIA, 2014).

SIBs create synergies between public entities, governments, NGOs, and financial institutions by focusing on outcomes (La Torre, Trotta, Chiappini, and Rizzello, 2019). They also alter how public resources are deployed to address social issues (Carnoy and Marachi, 2020). As Gustafsson-Wright et al., (2017) point out, this focus on outcomes allows service providers to better react and respond to new information to achieve the agreed-upon outcomes. SIB critics argue that an excessive focus on outcomes can distort the measurement of social impact. Tse and Warner (2019) contend that SIBs often conflate social outcomes, which reflect the broader consequences of interventions on beneficiaries' lives, with contractual outcome metrics, which are narrower measures of programme impact.

#### **d. Incentivising Collaboration**

SIB mechanisms require multistakeholder partnerships for them to work. Gustafsson-Wright et al., (2017) suggest that partners must work together in designing and structuring a SIB, in agreeing on outcome metrics, and thresholds, among other factors.

The way SIBs are set up requires the participation and collaboration between the public, private, and third sectors, with one goal in mind- solving complex social issues. The OECD (2016) suggests that given the complexity of partnerships, and the combination of partnerships that exists in SIBs, the whole setup is a part of the novelty and innovation that the mechanisms bring. By bringing together diverse groups of role players, with their differing backgrounds and motivations, to collaborate towards a shared goal, the SIB mechanism is itself an innovation.

Proponents of SIBs argue that complex partnerships and a focus on quantitative outcomes enhance programme effectiveness. However, critics contend that there is limited evidence supporting the superiority of the private sector in achieving social outcomes. While the private sector excels in profit generation, its ability to deliver efficient and effective social services remains questionable (Sinclair et al., 2014).

**e. Fostering Innovation**

Another key benefit of SIBs is the mechanism's ability to foster innovation in service delivery. Eames and Terranova (2014) suggest that SIBs offer flexibility for the key players, particularly service providers, to customise the services they provide and the mode of delivery. By tying payments to outputs and outcomes, as opposed to inputs and activities, impact bonds benefit from their flexible structure as service providers can refine their interventions during implementation to achieve the desired outcomes (Gustafsson-Wright et al., 2017). Service providers are not tied down to specific activities which might constrict how innovative they are.

SIB critics dispute the notion that they inherently foster innovation. Olson et al., (2022) argue that SIB proponents often equate innovation with mere experimentation, rather than the development of truly novel approaches. Investors typically prefer evidence-based programmes, which reduces risk, thereby discouraging the piloting of new services. Consequently, most SIB-funded projects tend to replicate existing models instead of pioneering new solutions.

#### 3.4.6 SIB Challenges

While SIBs have multiple benefits, several challenges emerge when solving problems through the mechanism. Sinclair, McHugh, and Roy (2021) suggest that there is evidence that SIBs do not fulfil some of the promises made by the mechanism's proponents. Potential challenges with designing and implementing SIBs will now be discussed.

##### **a. Complex and confusing undertaking**

Oxford University's Government Outcomes Lab (2022) suggests that SIBs are complex and demand high commitment and capacity. SIBs are a relatively new concept, and this newness has resulted in varying terminology as well as a lack of credible information about the concept and the costs associated with putting them together (Fraser et al., (2018), as cited by Sinclair et al., (2021)). While often touted as cost-saving, SIBs have attracted criticism. Warner (2020) contends that they can be expensive, particularly in the short term, due to high transaction costs. Carnoy and Marachi (2020) argue that apart from the premium the public sector pays when outcomes are met, impact bonds are expensive to set up and administer. Their highly intricate structures result in extensive administration costs and complicate stakeholders' ability to navigate the mechanism (PPIA, 2016). The OECD (2016) suggests that the upfront amount paid by investors is considered a short-run cost, with the conditional payback by outcome funders being a long-run cost.

Other transaction costs, such as intermediary fees, legal fees, and fees for evaluators and auditors for the services they render in the mechanism, are inherent in the impact bond model. These associated costs require specific expertise, which, in most cases, must be outsourced (Gustafsson-Wright and Osborne, 2020). These factors may lead to role players, particularly the government, viewing the setup as daunting and reconsidering their part in the setup.

**b. Measuring impact**

SIBs work on the premise that impact can be quantified. However, as the European Parliamentary Research Services (2014) suggests, measuring social outcomes is a herculean task that may result in underestimating or misunderstanding the conditions involved in social problems, resulting in simplistic conclusions being made. According to Tse and Warner (2019), SIBs simplify social impact and this process fails to address the complex ecosystem of the more powerful actors that contribute to these social problems. The SIB design greatly relies on performance measurement based on outcomes that create savings for the government (Dandala, 2015). However, by framing interventions and outcomes as distinct endpoints in a logic model, SIBs oversimplify complex social problems. This narrow focus limits both problem definition and impact measurement. As Sinclair et al., (2014) highlight, attributing outcomes to specific interventions is challenging and often contentious. Another challenge with SIBs, as Carnoy and Marachi (2020) indicate, is the complex metrics they use to estimate the effects of the service providers' interventions. The setting of impact metrics is achieved after negotiating and agreeing on priorities among stakeholders, where the metrics should be measurable, meaningful, and set at the appropriate level (Gustafsson-Wright et al., 2017).

Joy and Shields (2020) also emphasise the challenge of attribution in outcome measurement. Determining whether service provider actions directly caused specific outcomes is complex due to factors like beneficiary circumstances and external influences. Moreover, the financial incentives tied to outcomes can create pressure on service providers to claim credit for results they may not have fully generated. The Government Outcomes Lab (2022) suggests that it is hard to identify quantitative and objective outcome metrics, as oftentimes people measure outputs instead of outcomes. SIBs would need to be designed and implemented in such a way that government does not end up paying for outcomes that would have happened anyway; it becomes an important undertaking that metrics that are designed reflect genuine results so that the outcome funder (government) can have confidence in the metrics being used (Sinclair et al., 2021; Mulgan et al., 2011). It is therefore important by way of lessening the effect of this challenge, to ensure that all the role players take part in the process of developing the metrics to be used to quantify outcomes. There would also be a need for technical experts to take the lead in designing these metrics.

**c. Lack of track record**

A common challenge often stated by investors is the lack of a proper track record and precedence on whether SIBs are worth investing in (Sinclair et al., 2021; OECD, 2016). Few SIBs have been designed and are being implemented in developing countries, fewer still SIBs are being implemented in South Africa and so there is not much information on how they are faring and whether they will be successful investment opportunities. According to the Global Impact Investing Network (GIIN) (2016), early-stage businesses face common challenges like funding and having unproven operations.

The same applies to SIBs as, while they are fresh and innovative, potential funders would want to know their track record of success before they dive in with their funding. Research on early SIBs indicates a high rate of performance metric achievement. This success may be attributed to the fact that many SIB interventions were based on previously tested programmes targeting similar populations (Olson et al., 2022; Sinclair et al., 2021; Carnoy and Marachi, 2020). While often characterised as novel, these findings suggest that some SIBs may represent scaled implementations of established programmes. It would be worthwhile for those designing SIBs to track down potential investors willing to put in their money, even without much empirical evidence of the success of SIBs.

**d. Ignore systemic issues**

Another criticism of impact bonds is that they ignore the systemic and underlying issues beneath societal problems (PPIA, 2014). Joy and Shields (2020) argue that SIBs decentralise social policy, weakening the state's policymaking role. Local governments and nonprofits, often lacking authority to address systemic issues, tend to focus on individual and community-level interventions. This aligns with Dowling's (2017) critique that SIBs oversimplify social problems by focusing on individual remedies rather than root causes. Sinclair et al., (2021) add further that few SIBs address the root causes of social issues, but rather, they address the symptoms. Katz, Brisbois, Zerger, and Hwang (2018) argue that SIBs are designed to fund time-limited programmes that aim to adjust behaviours. This point is supported by Tse and Warner (2019), who argue that SIBs tend to be focused on the behaviours, decisions and psychology of individual clients and communities.

However, as behavioural interventions often need a longer time to come into effect, the SIB focus and location on individuals as the site at which to effect change is misplaced as this focus inadvertently ignores structural causes. Katz et al., (2018) give an example of SIB programmes that focus on asthma, where some of the programmes train parents to identify and address asthma triggers in the home.

What these programmes fail to recognise and address, as the authors argue, are the sources of pollution, as well as the structural factors that lead people to live in substandard housing. For SIBs to be more effective, they must be cognisant of these structural conditions to offer holistic solutions. Sinclair et al., (2021) describe SIBs as ‘throwing a leaky lifebelt’ that will help some people but not others. Maier and Meyer (2017) describe this situation as ‘cream-skimming’, where the SIBs focus on individuals who are most likely to meet the expected goals while ignoring those who are deemed ‘difficult’ and have little chance of reaching the goals. In response, Warner (2020) suggests shifting the focus from marginalised beneficiaries to powerful private sector actors, such as property developers (in the case of homelessness) or employers (in the case of unemployment), to tackle broader issues. However, this approach risks marginalising the state’s role in addressing social challenges.

The fact that SIB interventions are targeted and universal has also been criticised. Critics of SIBs contend that unlike traditional public services characterised by universal access and bureaucratic accountability, SIBs promote a fragmented, targeted approach.

Furthermore, they argue that SIBs prioritise evaluation and financial metrics over traditional accountability mechanisms (Warner, 2020). The lack of downward accountability in SIBs raises questions about to whom these initiatives are ultimately responsible.

**e. Financialisation and commodification of social welfare**

SIBs have been criticised for exacerbating the financialisation and commodification of social welfare. Joy and Shields (2020), and Cooper et al., (2016) argue that SIBs could be regarded as the next step in the marketisation of service delivery, as they embody neoliberal principles, reversing the post-war social contract where the state was the primary provider of welfare. The shift towards market-driven solutions has undermined the state's role and transferred responsibilities to families, often ill-equipped to address complex social issues (Clarke, 2007). Furthermore, Sinclair et al., (2014) contend that SIBs erode the ethical underpinnings of welfare provision, prioritising profit over human need. Beneficiaries are reduced to commodities in a system designed for financial accumulation rather than social upliftment (Dowling, 2016). The financialisation of social policy transforms social problems into investment opportunities. Investors essentially wager on the efficacy of interventions without meaningfully involving those directly affected. This exclusionary approach is criticised as paternalistic, as it disregards the voices and perspectives of beneficiaries in shaping solutions (Olson et al., 2022; Warner, 2020).

### 3.4.7 SIBs in South Africa: Presenting the case studies

According to Gustafsson-Wright et al., (2017), health bonds dominate in low- and middle-income countries (LMICs), which is in contrast to high-income countries (HICs), which have more bonds targeting employment outcomes than any other outcomes. South Africa has a relatively established social investment market, albeit small by international standards (Geral and Goss, 2016). Currently, four SIBs have been designed in South Africa, with two of those having been concluded. The next section will present case studies of those two SIBs designed, implemented, and concluded in the country.

#### 3.4.7.1 Case Study 1: Impact Bond Innovation Fund

The first SIB to be designed in South Africa (although the second to be launched) was the Impact Bond Innovation Fund (IBIF), which was set up to drive early childhood development (ECD) targets in the Western Cape. The IBIF was launched in 2018, and it sought to test the efficacy of home-based early learning models that were offered to young children from low-income families (Standard Bank Tutuwa Foundation, 2023). The IBIF was located at the intersection of two cross-cutting and important issues in South Africa, childhood nutrition and ECD. According to Oxford University's Government Outcomes Lab report (2022a), a quarter of South African children under the age of five (5) are nutritionally stunted, which directly affects their cognitive development. Of the three to four-year-old population, about half attend formal early learning programmes and demonstrate school readiness capacity. The same report also found that between sixty and seventy percent (60% – 70%) of children between three and four years do not attend registered ECD centres.

The designers of the IBIF recognised the impact that ECD programmes had on children’s cognitive, social, and psychological readiness for school, as well as the associated long-term benefits of economic productivity and relational stability (GOLAB, 2022a; De Witt, 2022). Intellidex (2021) suggests that the lack of access to quality early learning programmes makes learning later much more difficult, with progression through school even harder. Research has shown that an investment in ECD education leads to higher returns in terms of human development than the equivalent investment in primary, secondary, or even tertiary education (Bertha Centre, 2018). The IBIF sought to demonstrate that with adequate support (human resources, finance, monitoring & evaluation systems, etc.), community-based programmes can work alongside the government’s programmes and deliver quality programmes.

IBIF at a glance

<b>Implementation period:</b>	<b>Capital raised:</b>	<b>Beneficiary:</b>			
2018 - 2020	R7.5 million	Children in Delft and Atlantis			
<b>Role players</b>					
<b>Outcomes Funder(s)</b>	<b>Investors</b>	<b>Intermediary</b>	<b>Service provider</b>	<b>Evaluator</b>	<b>Financial Auditor</b>
Western Cape Department of Social Development (DSD)	Future Growth Asset Management	Mothers2Mothers	Western Cape Foundation for Community Work (FCW)	Development Works Changemakers	BDO
ApexHi Charitable Trust	Standard Bank Tutuwa Community Foundation	Volta Capital			
	LGT Venture Capital				

Table 2: IBIF overview. **Researcher's own creation.**

The IBIF had three targets that it was supposed to meet,

1. The recruitment and retention of beneficiaries in the Family in Focus programme,
2. Beneficiaries attend at least 50% of the programme over the year.
3. Success against the Early Learning Outcomes Measure (ELOM).

#### IBIF governance and structure

Figure 2 below shows how the IBIF was structured. At the heart of the SIB, was the Impact Bond Innovation NPC, a special-purpose vehicle that had been created to house the SIB. The IBIF had two **Intermediaries**, Mothers2Mothers, which helped solicit funds, acted as a technical intermediary- helping build the service provider's capacity, and ensuring that outcome delivery was on track. The second intermediary, Volta Capital, was also responsible for soliciting and managing funds. The intermediaries were also jointly responsible for managing the relationships between all the role players and handled the SIB reporting. The intermediaries were also paid intermediary fees by the NPC. The IBIF had three **Investors**, namely: Standard Bank Tutuwa Foundation, Futuregrowth Asset Management, and LGT Venture Capital. These investors paid funds into the Impact Bond Innovation NPC. After receiving these funds, the NPC then gave the funds to the **Service provider**, the Western Cape Foundation for Community Work, as working capital to run their home-based early learning services for children in two low-income communities outside Cape Town. Programme success, as defined by the meeting of the above targets was verified by the **Outcomes Auditor**, Development Changemakers. All the financial transactions of the SIB were audited by the **Financial Auditor**, BDO. Once the outcomes were verified, the Outcome Funders, the Western Cape Social Development Department and ApexHi Charitable Trust paid back the investors funds plus interest to the NPC, which then proceeded to return the funds to the investors.

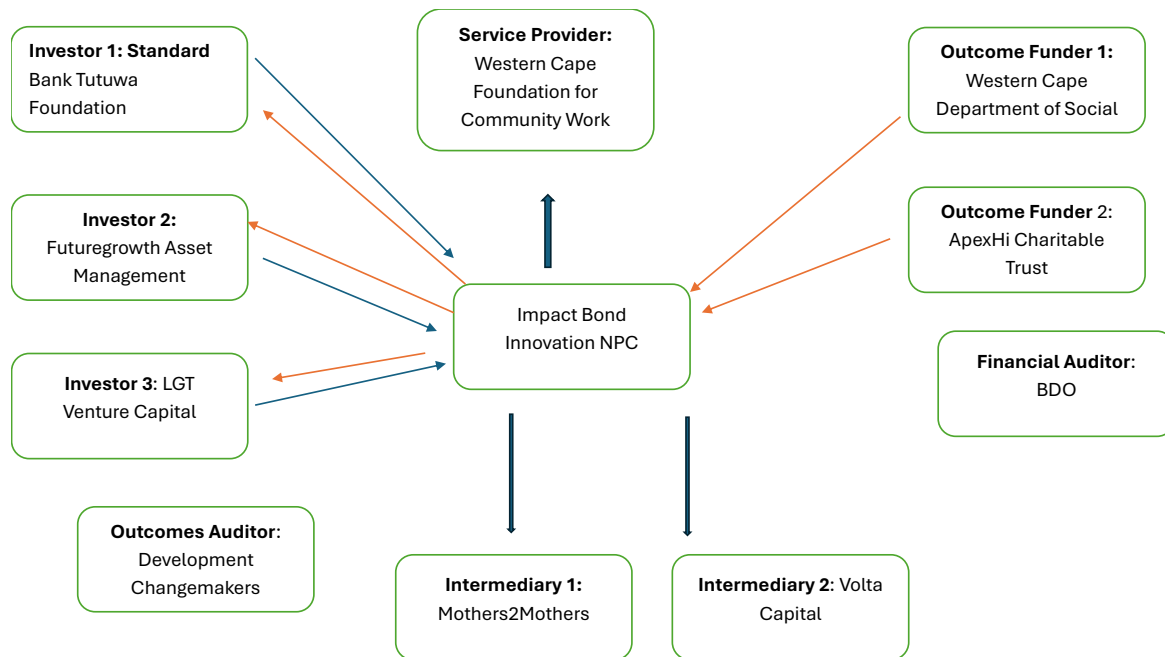


Figure 2: IBIF structure. Adapted from Intellidex (2021).

### 3.4.7.2 Case Study 2: The Bonds 4 Jobs

The first SIB to be launched in South Africa was the Inclusive Youth Employment Pay for Performance Platform or Bonds 4 Jobs (B4J), which was a SIB that sought to address youth unemployment by adequately training and equipping youth with the relevant skills necessary to take up available employment opportunities (Gustafsson-Wright and Boggild-Jones, 2019). The B4J was designed to run in two cycles, the first running between April 2018 and January 2019, with the second cycle running between January 2019 and June 2022. The SIB aimed to accelerate the transition of excluded and marginalised young South Africans into growth sectors of the economy (GOLAB, 2022b). For an upper-middle-income country, South Africa has high levels of unemployment, particularly among the youth, with unemployment rates above forty percent (40%) (World Bank, 2021).

The designers of the B4J sought to implement a skills programme that would be quicker, cheaper, and more demand-driven than the traditional skills programmes (GOLAB, 2022b). The traditional route into jobs, which were ineffective and more expensive, usually involved one going to university or other post-secondary school training (Intellidex, 2021). Youth employment programmes in South Africa have not been as effective and have been a huge cost for the government as they have not been tailored to the needs of employers. Khan (2021) highlights the importance of job matching, an approach to youth training that designs and tailors job training in consultation with employers.

The job placement targets for the B4J were six hundred (600) jobs for the first cycle and five thousand four hundred (5400) for the second cycle. Intellidex (2021) lists the criteria for a B4J job placement below:

- Jobs had to belong to one of three sectors: Business Process Services (BPS), Installation, Repair and Maintenance (IRM), and Information and Communication Technology (ICT).
- A contract of at least 12 months, or in the case of the Jobs Fund, 24 months.
- The job candidate had to undergo work readiness training before the job placement.
- The person placed had to be a young person aged 18-35 who could reasonably be categorised as economically excluded.

B4J at a glance

<b>Implementation period:</b>	<b>Capital raised:</b>	<b>Beneficiary:</b>			
2018 - 2020	R125 million	Excluded South African youth in Gauteng			
<b>Role players</b>					
<b>Outcomes Funder(s)</b>	<b>Investors</b>	<b>Intermediaries</b>	<b>Service providers</b>	<b>Outcomes auditor</b>	<b>Financial Auditor</b>
Gauteng Provincial Government	Oppenheimer Generations Philanthropy	Harambee Youth Employment Accelerator	Harambee Academy	PwC	Moore
Jobs Fund	Standard Bank Tutuwa Community Foundation	Bonds4Jobs	WeThinkCode		
Yellowwoods	UBS Optimus Foundation		Explore Data Science Academy		
FirstRand Empowerment Fund	Brimstone Legacy Fund				
Allan Gray Orbis Foundation	Clientele				
	Hollard				

Table 3: B4J overview. **Researcher's own creation.**

### B4J governance and structure

Figure 3 below shows how the B4J was structured. The special purpose vehicle that housed the SIB was called the Bonds4Jobs NPC. It was to this NPC that the **Investors**, namely: Oppenheimer Generations Philanthropy, Hollard, Clientele, Brimstone Legacy Fund, UBS Optimus Foundation, and Standard Bank Tutuwa Foundation paid their investor funds. The SIB had three **Service providers**, Harambee Academy in the first phase, with WeThinkCode and Explore Data Science Academy only joining in the second phase. These service providers received their working capital from the Bonds4Jobs NPC. The SIB had two **Intermediaries**, Bonds4Jobs and Harambee Youth Employment Accelerator (Harambee Accelerator), which acted as the technical intermediary, being responsible for the identification of other stakeholders, and managing the SIB's implementation and reporting. Harambee Accelerator also acted as an aggregate outcomes funder as it pooled all the resources from the other outcome funders. Harambee had pre-existing relationships with the other outcome funders, and so this aggregate role was not uncommon. Once outcomes were verified by the **Outcomes Auditor**, PWC, the outcome funders paid the NPC, which then returned funds to the investors, with interest (where applicable). All the financial transactions in the SIB were audited by the **Financial Auditor**, Moore.

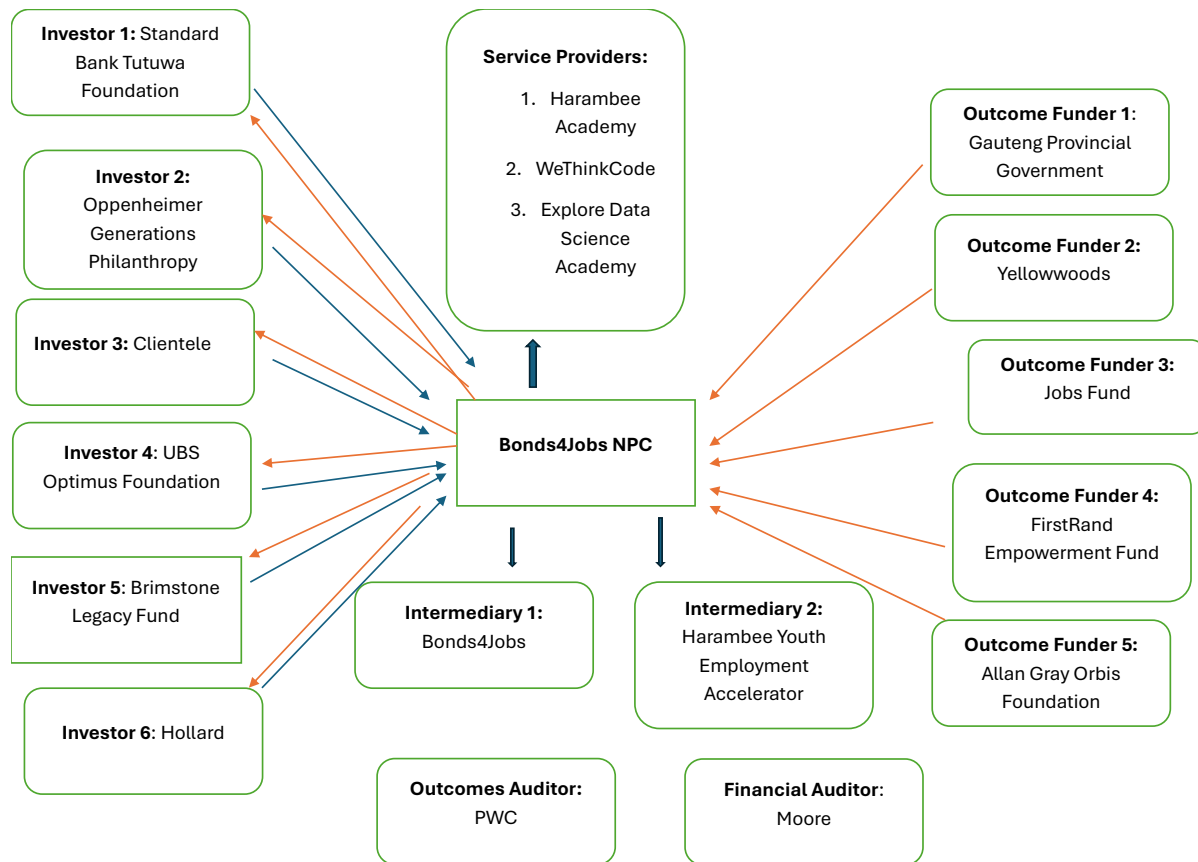


Figure 3: SIB structure. Adapted from Intellidex (2021).

### 3.5 Overall chapter summary

This chapter first looked at Results-Based Financing (RBF) as a response to the need to effectively use resources in development. The chapter then looked at the various types of RBF mechanisms before narrowing the focus to Social Impact Bonds (SIBs). The chapter then defined SIBs, discussing how they are structured, and the benefits and challenges associated with the model. The chapter then presented the two case studies, the Impact Bond Innovation Fund (IBIF) and the Inclusive Youth Employment Pay for Performance Platform/ Bonds4Jobs (B4J). The following chapter will present the Methodology.

# CHAPTER 4: METHODOLOGY

## 4.1 Introduction

This chapter will discuss the methodological framework that guided the research process. It will present the research design, the population, the sampling used, and the data collection methods. The chapter will then move on to discuss the data analysis techniques that were used in this research. Lastly, the chapter will give a summary of the ethical considerations that guided this research as well as the researcher's reflexivity.

## 4.2 Research aims and objectives revisited

The research's overall aim was a case study assessment of the first two SIBs to be fully implemented in South Africa, the Impact Bond Innovation Fund (IBIF) and the Bonds for Jobs (B4J). The research sought to answer the question: **Do SIBs offer a viable alternative source of funding for the South African government in its advancement of social development?**

To answer the research question, research objectives were formulated as follows:

- a. To determine the key considerations when designing an SIB in South Africa.
- b. To understand the challenges faced by the different role players when implementing an SIB.
- c. To appraise the legislation that currently governs SIBs in South Africa.
- d. To appraise the extent to which SIBs promote improved outcomes.
- e. To explore the ways in which service providers are innovating in service delivery.

### 4.3 Research design

Research is a search for knowledge. Research is conducted when one seeks to get answers to questions using scientific methods. Kothari (1990, pg. 1) defines research as “*a scientific and systematic search for pertinent information on a specific topic*”. Research is the process by which we investigate and solve specific and real problems (Gray, 2022). It is essential to distinguish between *Research methods* and *Research methodology*, where the former refers to the techniques used for conducting research, and the latter refers to a systematic way of solving a research problem (Kothari, 1990). After the research problem (what we want to investigate) has been defined, the research process outlines the research design. Colloquially, Yin (2009) indicates that a research design is a logical plan for getting “from here to there.” According to De Vos (1998), a research design is a strategic framework for undertaking research. Pandey and Pandey (2015, pg. 18) define research design as “the framework or plan for a study that is used as a guide in collecting and analysing the data.” A research design is “*the overarching plan for the collection, measurement, and analysis of data*” (Gray, 2022, pg. 144). The research design needs to be outlined as it facilitates the research process to be as efficient as possible and ensures that it yields maximum information (Kothari, 1990).

According to Kothari (1990), there are two basic approaches to research: a quantitative approach and a qualitative approach. A quantitative approach involves data generation in quantitative forms and investigates phenomena that can be expressed quantitatively. Quantitative research involves the numerical analysis of the relationship between variables (Silverman, 2020). On the other hand, qualitative research involves verbal descriptions of real-life situations and is concerned with the subjective assessment of attitudes, opinions, and behaviour (Silverman, 2020; Kothari, 1990).

Babbie and Mouton (2001) suggest that qualitative research distinguishes itself from quantitative research in that:

- The research is conducted in the natural setting of the social actors.
- The focus is on the process and not the outcomes.
- The primary aim of qualitative research is an in-depth understanding of events and actions.
- Qualitative research seeks to understand phenomena in a specific context, not generalising findings.
- Qualitative research is inductive and results in the generation of new hypotheses.
- The researcher in the qualitative research process is seen as the main instrument.

This study used an exploratory qualitative research design based on multiple case studies to explore the IBIF and the B4J. Exploratory studies work best when there is a gap in the knowledge regarding a particular subject. SIBs are a relatively new concept in South Africa; hence, this was the most appropriate research design. Gray (2022) suggests that as qualitative research is highly contextualised, it is useful in investigating circumstances with relatively little information about a phenomenon. Exploratory research seeks to explain the deeper meanings and understandings through the subjective views of respondents (Akinyode and Khan, 2018). It seeks to generate a nuanced understanding of a given phenomenon. For Denzin and Lincoln (2000), qualitative research is a situated activity that locates the observer in a world consisting of interpretive and material practices that make the world visible.

#### 4.3.1 An interpretivist perspective

The study adopted an interpretivist theoretical perspective where the researcher seeks to understand, explain, and demystify social reality through the eyes of different participants (Cohen et al., 2007). Gray (2022) posits that interpretivism looks for culturally situated interpretations of the social world, where natural and social reality are different and require different research methods. An interpretive research design was appropriate for this study as the researcher sought to explore the subjective experiences of the various role players involved in designing and implementing SIBs.

#### 4.3.2 Case study design

Qualitative researchers use numerous methods that provide a deeper understanding of social phenomena. One such method is a case study. A case study is a popular form of qualitative analysis that involves a careful and complete observation of a social unit (Kothari, 1990). According to Igwenagu (2016) and La Torre et al., (2019), a case study analysis helps understand unknown or partially known phenomena and seeks to describe relationships that exist in reality. Simply put, a case study, *“is an empirical inquiry that investigates a contemporary phenomenon in-depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”* (Yin, 2009, pg. 18).

Gray (2022) adds that case studies allow for the generation of multiple perspectives, either through various data collection methods or by creating multiple accounts from a single method. Kothari (1990) puts forward the advantages of case study designs over other forms of qualitative research, where case studies:

- i. Facilitate intensive studies of social units which may not be possible through observation of other methods.
- ii. Enable the full understanding of behavioural patterns of a unit.
- iii. Allow researchers to obtain a real record of personal motivations that drive particular behaviours.
- iv. Allow researchers to trace the natural history of a social unit and its relationship with its environment.
- v. Allow for generalised knowledge to get richer and for the formulation of hypotheses backed by data.

For this study, the case studies were the IBIF and B4J. Yin (2009) suggests that a study containing more than one case becomes a multiple-case design. The evidence from such studies is considered more robust and compelling. Yin (2003) maintains that using the multiple case study method allows the researcher to explore differences within and between cases, which is what this research sought to do. The study also sought to understand and describe the SIBs that were implemented in their reality (south African context) through the eyes of the people involved in setting them up. Using the IBIF and B4J allowed the researcher to compare the two case studies, getting richer information on SIBs in South Africa.

## **4.4 Population and Sampling**

### **4.4.1 Population**

Kothari (1990) suggests that all the items under consideration in any field of inquiry constitute a population. In research, a population denotes a group of people a researcher wants to draw attention to (Babbie and Mouton, 2001). The population for this study consisted of all individuals and entities that were knowledgeable about SIBs or were involved in the design and/or implementation of SIBs in South Africa.

### **4.4.2 Sampling**

It is usually only possible for research to be conducted on part of the population. As a result, a researcher must decide how to select a few items representative of a population (Kothari, 1990). Bickman and Rog (1998) define sampling as the strategy by which events are deliberately selected because of the critical information they can provide, which cannot be obtained from other sources. As Kothari (1990) adds, a good sample results in an accurate representation of the population, where the results from the sample can be applied to the general population with a reasonable level of confidence. The goal of sampling is to ensure that the conclusions made from research represent the entire range of variation.

#### ***4.4.2.1 Sampling Approach***

The research used nonprobability purposive sampling, which saw the researcher using his judgement regarding the selection of case studies and the role players involved in designing and implementing them to give insight into SIBs. According to Kothari (1990), deliberate sampling, also known as nonprobability purposive sampling, involves the intentional selection of particular units of the population that represent the population.

The researcher's judgement is used to select items considered representative of the population. Kothari (1990) further adds that the researcher's choice is supreme in nonprobability sampling. Silverman (2020) argues that this sampling strategy enables researchers to purposefully select cases that exemplify specific features or processes under investigation. Expanding on this point, Bickman and Rog (1998) assert that a valid random sample fosters greater confidence in generalising the study's conclusions to the entire population, as it ensures that each member has an equal chance of being selected.

This approach was appropriate and relevant to the study as the research sought to understand the participants' experiences of participating in the SIB design and implementation process. The researcher selected two SIB case studies to provide insight into how SIBs are designed and implemented: the Youth Employment Pay for Performance Platform (B4J) in Gauteng and the Impact Bond Innovation Fund (IBIF) in the Western Cape. These case studies were selected as they were the first SIBs to be conceptualised and fully implemented in the country. This was important as the study wanted to examine the full spectrum of SIB life, from conceptualisation to designing, to implementation and termination. Only the IBIF and B4J had gone through this entire cycle and thus offered a basis for cross-case comparison.

#### *4.4.2.2 Sampling process*

Using information obtained through Oxford University's Government Outcomes Lab's database on SIBs in the country, the researcher selected the two case studies that had concluded their projects and the organisations involved in the design and implementation of the SIBs.

The selected organisations had different roles in the SIBs, namely, service providers (NGOs), investors, intermediaries, outcome payers (government), evaluators, independent assessors, and experts on SIBs. In total, approximately thirty (30) organisations were involved in both SIBs. From these organisations, the inclusion criteria for potential participants were as follows:

- 1) Had worked in the organisation for at least five (5) years.
- 2) Were involved in either the setting up or implementing the SIB or both.
- 3) Were in a managerial position.
- 4) Were knowledgeable/ experts on SIBs

The exclusion criteria were those individuals who were not involved in setting up the SIBs, had been working for less than five years, were not in a managerial position, and were not experts on SIBs.

#### *4.4.2.3 Number of respondents*

At the conceptualisation of this research, the researcher intended to speak to a minimum of twenty (20) individuals—fifteen individuals drawn from the twenty-seven (27) organisations involved in the two SIBs and five (5) experts who were knowledgeable about SIBs. This proved much more difficult than the researcher had thought, as he struggled to get participants from the SIB-participating organisations. The researcher initially contacted the organisations by sending emails between January and March 2023. The initial emails were subsequently followed by another round of emails and telephone calls; only eleven (11) organisations committed to responding to the emails. The researcher also tried to visit the organisations' offices to secure interviews, but due to financial constraints, (the researcher did not have funding to go to all the organisations physically), the researcher could only visit four (4) organisations' offices—about half of the eleven (11) organisations that responded committed to providing participants.

Of the organisations that stated that they could not take part in the interview process, some stated that the people that had been involved in the SIBs had left their organisations, and so it was not possible to take part in the research, with some organisations even reporting that they did not know about the SIBs. Some organisations stated they were too busy to participate in the interviews. Ultimately, the researcher managed to secure interviews with fifteen (15) participants by October 2023, a figure composed of ten (10) individuals from the SIB-participating organisations and five (5) experts. The researcher and his supervisor considered the time and effort expended in trying to secure interviews and that further delays would impact the researcher's registration with the university. The researcher was also confident of the rich and quality data that had been gathered and was satisfied that he had adequate information. All the interviews were recorded, transcribed, and analysed using the content analysis method. A full profile of the participants will be presented in the *Data Analysis and Presentation of Findings* chapter.

<b>Interviewee</b>	<b>Organisation Role in the SIB</b>	<b>Individual/ Focus group interview</b>
Participant 1	Investor	Individual
Participant 2	Implementer	Individual
Participant 3	Intermediary	Individual
Participant 4	Implementer	Individual
Participant 5		Individual
Participant 6	Outcomes Funder	Focus group
Participant 7		Focus group
Participant 8		Focus group
Participant 9		Focus group
Participant 10	N/A (Expert) <sup>1</sup>	Individual
Participant 11	IBIF	Individual
Participant 12	N/A (Expert)	Individual
Participant 13	N/A (Expert)	Individual
Participant 14	N/A (Expert)	Individual
Participant 15	Outcomes Funder	Individual

*Table 4: Research Participants*

---

<sup>1</sup> N/A (Expert): means that the participant was not directly involved in a SIB but is knowledgeable on the matter.

## **4.5 Data collection approach**

In dealing with real-life problems, the situation is usually such that the data at hand are inadequate; as such, it becomes appropriate for data to be collected (Kothari, 1990). Yin (2009) suggests that case study evidence can come from many sources, including documents, archival records, direct observation, and interviews, among other sources. The use of multiple methods, as Harrison et al., (2017) posit, adds texture and insight to the research, enhancing its validity and credibility. The data collection approach used for this research consisted of multiple methods with the intention of bringing multiple perspectives to SIBs. The study used face-to-face in-depth interviews with SIB role players, experts, and representative stakeholders, as well as a focus group and document analysis. This use of multiple sources of data allowed for a more holistic and in-depth analysis of SIBs in South Africa.

### **4.5.1 Document analysis**

The use of documentation is important and relevant to every case study topic, as the documents can be useful in corroborating and augmenting evidence from other sources (Yin, 2009). The documentation can be letters, formal studies, reports, and news clippings. This research studied selected literature and documents (reports and articles) that had been written about SIBs in general and the two SIBs in particular. Other important sources of information on the two SIBs were the 2021 reports prepared by Intellidex.

#### 4.5.2 Interviews

Case studies also make use of face-to-face in-depth interviews, where, as Yin (2009) submits, respondents are asked questions about the facts of a particular topic and their opinions about events. Mwita (2022) suggests that the interview is the most common data collection method in qualitative research, where interviews can be conducted face-to-face or via technology like telephones or video conferencing. De Vos et al., (2005) posit that the use of face-to-face interviews involves the undertaking of closely detailed conversations that allow for the gathering of rich primary data. Gray (2022) submits that qualitative interviews can be used as either the main data collection instrument or in conjunction with other sources of information like participant observations and document analysis. The interview data collection method involves presenting oral-verbal stimuli, with replies coming in as oral-verbal responses (Kothari, 1990). Akinyode and Khan (2018) further add that qualitative data can be obtained using open-ended questions, which allows participants to provide information that is not restricted. With interviews, the researcher can ask questions and get immediate responses, and he/ she can probe and explore what the participants are saying and get deeper meanings.

Until recently, interviews were thought of as consisting of face-to-face meetings. With the digital age and the emergence of COVID-19 in 2020, interviews can now also take place online, especially when people are in different locations (Silverman, 2020). In early 2020, the coronavirus spread across the globe, leading governments to put measures in place to ensure the health and well-being of their citizens (Gustafsson-Wright et al., 2017). Some of these measures included stay-at-home orders, the maintenance of social distancing, and restrictions on face-to-face interactions. This research was conceptualised at the height of the COVID-19 pandemic, and so the plan was to conduct the interviews using either Zoom or Microsoft Teams video conferencing platforms.

The interviews only took place after the COVID-19 imposed restrictions had been lifted, but the plan to conduct them online still carried forward. Ultimately, all but one interview took place online, using Microsoft Teams. The ‘outlier’ interview was conducted in person, at the participant’s office, and the researcher used a cell phone as a digital recorder. The individual interviews averaged one (1) hour in length, while the focus group interview was over one (1) hour long. Another reason for the use of an online platform was the ease that the platform had in recording and doing transcriptions. Microsoft Teams has an in-built feature that does transcriptions of the interviews, which made the researcher’s work less taxing when doing interview transcriptions. Conducting the interviews ‘face to face’ allowed the researcher to analyse specific nonverbal cues, such as body language where appropriate. The researcher was also able to take notes of key points that the participants made, which also served as a backup to the recordings.

#### 4.5.3 Focus group discussion

A focus group, as Ryan et al., (2014) suggest in Silverman (2020), is a type of group interview where a researcher asks a set of questions designed to elicit collective views about a particular topic. In focus groups, as Mwita (2022) submits, the researcher creates one or more groups that are used to collect data, with the researcher facilitating the discussions within the group. Silverman (2020) adds that such group interviews are appropriate when studying an under-researched topic with a small group of people who share particular characteristics. The research consisted of one (1) focus group interview with four (4) participants in which the participants could feed off each other, and the data collected was rich and robust. The focus group used a semi-structured interview schedule to guide the conversation. [*Please see Appendix E: Interview Schedule: General*].

#### 4.5.4 Pilot interview

The first interview that the researcher conducted served as a pilot interview. The pilot interview was done to assess whether the questions in the interview schedule were relevant. After the pilot interview, the researcher was able to tweak the interview schedule as he realised that some questions were pertinent to some SIB role players and not others. The pilot study also tested the validity of the questions the researcher sought to ask participants.

### **4.6 Data collection instrument**

The data collection instrument for this research was a semi-structured interview schedule with critical questions linked to the research objectives (*See Appendices E and F*). Semi-structured interviews have predetermined questions that guide the interviewer (De Vos et al., 2005). Silverman (2020) notes that with semi-structured interviews, a researcher would have prepared questions based on prior reading about the topic. The interview schedule provides a guide and is not necessarily strictly adhered to. Kothari (1990) suggests that with semi-structured interviews, the interviewer has greater freedom, and they do not necessarily follow pre-determined questions. Depending on the situation, the interviewer may omit specific questions and even change the sequence of questions. The onus is on the researcher to build rapport with interviewees and probe them for further information.

During data collection, the researcher could probe and explore other questions not covered by the interview schedule. According to Corbetta (2003), when researchers use semi-structured interview schedules, they refer to a group of topics to be covered, but the order is left to the interviewer's discretion.

#### 4.6.1 Research validity

Gray (2022) argues that some of the criticisms usually levelled against qualitative research are that it is ‘unscientific’, is anecdotal, and lacks generalisability. One of the most essential considerations in qualitative research is, ‘*How do you make the research valid*’? Validity is the most critical criterion of research as it indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 1990). Silverman (2020) defines validity as the extent to which an account accurately represents the social phenomena to which it refers. Gray (2022) distinguishes between two types of validity, *Internal validity*, which revolves around the question of how far the constructions of the researcher are grounded in the constructions of what is being researched, and *External validity*, which is the extent to which it is possible to generalise from the data.

Babbie and Mouton (2001) suggest that validity can be enhanced through triangulation, which uses multiple methods to remove any bias that will likely stem from single methodologies. This is how the researcher improved the research’s validity. Not only did he conduct face-to-face interviews, but he had a focus group discussion and made use of document analysis. By combining various methods in the research process, the researcher was able to overcome the deficiencies that would have likely appeared had he used only one method.

As another way of improving validity, the researcher maintained detailed documentation of the research process, carefully detailing the data collection and analysis methods. The researcher's process is available for anyone to review and assess the research’s validity. The researcher also collected data until the saturation point with the participants. The saturation point was such that the participants could no longer provide any additional insights to the research.

#### 4.6.2 Research Reliability

Hammersley (1992) suggests that reliability refers to the degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions. Reliability is about ascertaining the stability of the research findings. Silverman (2020) suggests that reliability can be enhanced through,

- Pre-testing the interview schedule
- The training of interviewers
- The use of possible-fixed choice answers
- Inter-rater reliability checks on coding of answers to open-ended questions.

To increase the research's reliability, the researcher pre-tested the interview schedule by conducting a pilot interview. He then refined the schedule so that it was relevant to the study and the appropriate participants. Another way of improving reliability was by developing a codebook. The researcher created a clear codebook that outlined the criteria that he used for creating codes in the data analysis which was consistent throughout the process. As with the research validity, the use of data triangulation also enhanced the research's reliability. The use of multiple methods of data collection methods improved the research reliability.

### **4.7 Data analysis**

The difference between quantitative and qualitative data analysis is that the data to be analysed in the latter are text, rather than numbers (Schutt, 2022). Gray (2022) suggests that data analysis is breaking down data into smaller units to reveal their characteristic elements and structure. According to Polit and Hunler (1999), data analysis is the systematic organisation and synthesis of research data and the testing of that data.

De Vos et al., (2005) define data analysis as making sense of and interpreting data. Case study data analysis generally involves an iterative process from more general to specific observations (Creswell, 1998). Ngulube (2015) suggests that qualitative data analysis focuses on the meaning of events and actions instead of statistical significance. All eleven (11) individual interviews and the focus group discussion were recorded and transcribed. For data analysis, the researcher used a combination of NVivo 14 and an adaptation of Tesch's (1990) approach where data were coded and organised into themes, categories, and sub-categories.

#### 4.7.1 The use of NVIVO 14

NVIVO is a software programme developed by QSR that assists in coding qualitative data, where coding is the process of organising data by topic, theme, or case (Gray, 2022; Jackson and Bazeley, 2019). Computer-Assisted Qualitative Data Analysis (CAQDAS) speeds up the data analysis process, making it easy for researchers to experiment with different codes and facilitate diagrams of emerging theories (Coffey and Atkinson, 1996). NVIVO mimics the handling of qualitative data through highlighting, writing notes, and connecting ideas.

Jackson and Bazeley (2019) outline the coding process:

**i. Transcribe the data.**

- This is a process that allows the researcher to become familiar with the dataset and to understand the participants' perspectives (Lester, Cho, and Lochmiller, 2020).

**ii. Become familiar with the data by reading and reflecting on it.**

- This step entails the researcher conducting their initial analysis and informing their later, more detailed analysis.

### **iii. Code and connect the data.**

- Coding, as Lester et al., (2020) define it, is the use of short, descriptive words or phrases that assign meaning to data. The coding process happens in three phases: the first phase is about priming the dataset, and the second phase is about assigning the initial codes, reflecting a low level of inference. In the third and final phase, the researcher makes explicit connections to the study's conceptual and theoretical ideas.

### **iv. Review and refine codes where appropriate.**

- This step involves the final development of themes and categories.

When the researcher used NVIVO 14, he loosely used the outline above to analyse the data. After the researcher had transcribed all the interviews, he imported them into the programme, after which he analysed the transcripts individually and created codes out of the critical points he noted. The initial codes were later combined and refined into themes and sub-themes. The researcher employed *thematic analysis* to identify and analyse patterns (themes) within qualitative data (Gray, 2022). Lester et al., (2020) suggest that thematic analysis involves inductive engagement with data, with the researcher moving from isolated cases to broader interpretations. Thematic analysis is concerned with identifying patterns across qualitative datasets. After the researcher had obtained initial themes, he then went through a process of refining those themes, merging some similar ones, as well as discarding some initial ones, until he had his final themes and sub-themes.

#### **4.7.2 Tesch's qualitative data analysis model**

The researcher also modified Tesch's (1990) qualitative data analysis model, as described in De Vos et al., (2011). The model generally consists of the following steps:

Step	Action/ Activity
1. Transcribing all the interviews and reading through all the transcriptions	After the researcher had transcribed the interviews, he read through all the transcriptions to make sense of the data and get the deeper meaning of the data.
2. Categorizing the ideas by labelling them into topics and subtopics.	The researcher made a list of possible topics emanating from the research and started grouping text with similar topics together (using NVIVO), with the same colour-code. This constituted the first stage analysis.
3. Regrouping the topics and sub-topics to constitute the main themes	The researcher then grouped similar topics into themes and sub-themes, taking into consideration the research objectives.
4. Developing a ‘framework for discussion of findings’	The researcher then developed a framework for analysing the emergent themes.
5. Collapsing some categories/sub-themes where necessary	The researcher then described each theme and grouped similar themes. He also used quotations from participants to clarify the themes and sub-themes and made linkages to literature.
6. Data analysis	The researcher then analysed the data based on the themes and sub-themes that had emerged to get an understanding of the study.
7. Data review	The researcher reviewed the data and compared it with the transcriptions for completeness.

*Table 5: Adaptation of Tesch’s qualitative data analysis model*

The use of NVIVO and Tesch’s model happened concurrently. The researcher decided to use these two forms of data analysis to get rich and comprehensive findings, as the analyses complemented each other well.

## 4.8 Ethical considerations

Research ethics refer to the moral principles that guide research (Gray, 2022). As described in Chapter One, the researcher was cognisant of various crucial ethical considerations when conducting research. The researcher applied for and subsequently received ethical clearance approval from the University of Cape Town, the institution with which he is a registered student (*See Appendix C*). The researcher ensured that the research participants were fully informed of the study before they agreed to participate, in line with the ethical consideration of **informed consent**. The researcher was also aware of the ethical consideration of **deception**, which, according to Gray (2022), is such that researchers represent their research as something it is not. The researcher shared all the relevant information with research participants so that he would be able to guarantee informed consent and avoid deception.

To ensure **confidentiality**, the researcher was the only one who knew the participants' information, including their names, the organisations they worked for, and communication details (phone numbers and emails). The researcher ensured **anonymity** by securing the video recordings of the interviews in a password-encrypted machine that only he had access to. There were also backups online on password-protected cloud-based storage systems (Microsoft OneDrive and Google Drive). All recordings were stripped of identifying markers, such as the names of the respondents, their position, and the organisation they worked for.

The researcher ensured and respected the participants' right to **privacy** at every research stage. During data collection, he conducted interviews in private via an online platform with end-to-end user encryption, meaning that no third parties could access the interviews.

When the researcher transcribed the data, he used earphones to avoid the possibility of the recording being heard by other people. It is during this stage that he removed the identities of the participants including their names and their employers. The researcher also ensured privacy by storing the data in a password-protected computer with backups.

The researcher also ensured that the research adhered to the provisions of the Protection of Personal Information Act (POPIA), which meant that the researcher could not directly approach potential research participants, but instead, approached the organisations that the individuals worked for seeking permission to conduct research.

#### **4.9 Reflexivity**

Reflexivity is about how the researcher's subjectivity could impact the study's objectivity (Babbie and Mouton, 2001). Given that SIBs are a new topic in South Africa, with few people understanding fully what they are about, many times, the researcher felt like an 'imposter' as he felt that he was not qualified to be studying this topic. However, he had to remind himself that the objective of research is to study and learn more about a particular topic. The researcher had to let the data speak for themselves. The researcher was also mindful of his biases during the data coding and analysis. He had to regularly check and question his interpretations of the data to make sure that what he was reading from the data was correct. The researcher also depended on the data triangulation to verify his findings.

#### **4.10 Overall chapter summary**

This chapter has presented the methodology that was used in this research. The chapter also provided a summary of the research design, looking at the population and the sample that was selected, the data collection approach, and the data collection instrument. The chapter presented how data analysis was conducted and touched briefly on the ethical considerations that underpinned the research. In the end, the chapter concluded with the researcher's reflexivity. The next chapter will present and discuss the findings emanating from the research.

# **CHAPTER FIVE: DATA ANALYSIS AND PRESENTATION OF FINDINGS**

## **5.1 Introduction**

The objective of this chapter is to present and discuss the data and findings emanating from this study. Using information obtained from one focus group and eleven (11) individual interviews with participants, the chapter analyses the data collected regarding participants' understanding of Social Impact Bonds (SIBs) in general and two case studies, the Impact Bond Innovation Fund (IBIF) and the Bonds for Jobs (B4J) in particular. The overall research aim was an examination of the first two SIBs to be fully implemented and concluded in South Africa. The research sought to answer whether SIBs offered a viable alternative source of funding for the South African government in its advancement of social development.

The research objectives were as follows:

- i. To determine the key considerations when designing an SIB in South Africa.
- ii. To understand the challenges faced by the different role players when implementing an SIB.
- iii. To appraise the legislation that currently governs SIBs in South Africa.
- iv. To appraise the extent to which SIBs promote improved outcomes.
- v. To explore the ways in which service providers are innovating in service delivery.

## 5.2 Participant demographics

<b>Participant Code</b>	<b>Organisation Role</b>	<b>Sex</b>	<b>Bond participant was involved in</b>	<b>Years in the organisation</b>
Participant 1	Investor	F	IBIF	8 years
Participant 2	Service Provider/Intermediary	F	B4J	10 years
Participant 3	Service Provider/Intermediary	F	B4J	7 years
Participant 4	Service Provider	M	IBIF	16 years
Participant 5	Service Provider	F	IBIF	18 years
Participant 6	Outcomes Funder	M	B4J	8 years
Participant 7	Outcomes Funder	M	B4J	11 years
Participant 8	Outcomes Funder	M	B4J	8 years
Participant 9	Outcomes Funder	M	B4J	7 years
Participant 10	Expert	F	N/A	6 years
Participant 11	Expert	F	IBIF	10 years
Participant 12	Expert	F	N/A	12 years
Participant 13	Expert	F	N/A	15 years
Participant 14	Expert	M	N/A	6 years
Participant 15	Outcomes Funder	M	IBIF	10 years

*Table 6: Participant demographics*

*Table 6* above shows a near-even split regarding the gender distribution of the research participants. Of the fifteen (15) participants in this study, eight (8) were female, while seven (7) were males. What is also apparent from the same table above is that most of the participants (10 out of 15) worked for organisations that were either classified as outcomes funders or were experts on SIBs, that is, they were not directly involved in either of the SIBs but had knowledge and expertise on the SIBs. Four participants worked for a service provider or implementer in the SIB setup, which was responsible for implementing the actual service delivery. Another finding from *Table 6* is that six (6) participants were involved in the B4J, while five (5) were involved in the IBIF. The study sought to explore the experiences of those individuals who were involved in the design and implementation of both the IBIF and B4J. The four (4) participants who are listed as N/A were experts, who had knowledge about the two bonds but were not directly involved in their design and/or implementation. Only one person among the experts was involved in the design and implementation of one of the SIBs. In terms of the number of years in the organisation, all the participants had spent at least five (5) years working in the organisation, with the average number of years being ten (10) years.

*Table 7: Participant job title*

<b>Job title</b>	<b>Number of participants</b>
Director	6
Project Manager	3
Monitoring and Evaluation Manager	3
Consultant	2
Team Leader	1

Table 7 shows diversity in the participants' job titles. All of them were in middle or upper management, with job titles ranging from directors to project managers and team leaders. The largest number of participants (6) were at a director level in their organisation.

### 5.3 Presentation of themes and subthemes

The table below presents the findings from the qualitative interviews with the research participants. The data analysis resulted in five (5) major themes being developed, namely, *Key considerations when designing SIBs*; *SIB Challenges and Opportunities*; *SIB legislation*; *SIBs and improved outcomes*; and lastly, *How much did the SIBs innovate*. These major themes and related subthemes will be presented below.

Research Objective	Theme	Subthemes
1. To determine the key considerations when designing an SIB in South Africa.	<b>Key considerations when designing SIBs</b>	<ul style="list-style-type: none"> <li>• Risks</li> <li>• Clear and verifiable outcomes</li> <li>• Outsourced services that are linked to government priorities</li> <li>• Government willingness</li> <li>• Intermediary credibility</li> </ul>
2. To assess the challenges faced by the different role players when implementing an SIB.	<b>SIB Challenges and Strengths</b>	<ul style="list-style-type: none"> <li>• Challenges faced</li> <li>• What worked well (Strengths)</li> </ul>

<p>3. To appraise the legislation that currently governs SIBs in South Africa.</p>	<p><b>SIB legislation</b></p>	
<p>4. To appraise the extent to which SIBs promote improved outcomes.</p>	<p><b>SIBs and improved outcomes</b></p>	<ul style="list-style-type: none"> <li>• Did the SIBs meet targets?</li> <li>• To what extent did the SIBs promote improved outcomes?</li> <li>• How much risk do SIBs carry?</li> </ul>
<p>5. To explore the ways in which service providers are innovating in service delivery.</p>	<p><b>How much did the SIBs innovate</b></p>	<ul style="list-style-type: none"> <li>• How the SIBs innovated</li> <li>• Do SIBs really promote innovate?</li> <li>• Challenges with unrestricted financing.</li> </ul>

*Table 8: Summary of themes and subthemes*

**5.3.1 Theme 1: Key considerations when designing SIBs**

The key findings under this theme are Risks, Clear and verifiable outcomes, Outsourced services that are linked to government priorities, Government willingness, and Intermediary credibility. These will be discussed individually below.

### 5.3.1.1 Risks

As with any venture, SIBs have inherent risks. Participants identified three risks, performance risk, model failure, and funding risk, as the key risks that they had to consider. These risks will be presented individually below.

#### 5.3.1.1.1 Performance Risk

**Participant 6:** *“And primarily the risk as an outcomes funder, is your risk of performance delivery or attaining the social outcomes you looking to achieve”.*

**Participant 11:** *“There definitely was a risk that the model is not necessarily going to deliver the kind of outcome that we want to see with this strata of early learners”.*

The IBIF was the first early childhood development (ECD) SIB in the Global South, and it focused on meeting the nutritional and educational needs of children at the ECD stage (De Witt, 2018). One characteristic of SIBs, as propounded by Bergfeld et al., (2016), is that they focus their attention on preventative action by focusing on new interventions that will have a long-lasting impact on society. Research has shown how early interventions at this stage of human development can increase an individual’s earning capacity later in life leading to better life outcomes. Gustafsson-Wright and Osborne (2020) support the idea of early interventions having an impact on individuals’ future lives, by adding the fact that an additional year of schooling results in an increase in earnings for an individual’s life, estimated to be between 5-8%. Sinclair et al., (2021) suggest that one reason for the rise in SIBs’ popularity is that they shift the responsibility for the design and delivery of welfare policy from the public sector to other entities, particularly the investors, who would assume the performance risk should outcome targets not be met. Governments would only pay for programmes that demonstrably improve social welfare.

There was a risk that the bonds would fail to perform. Both the IBIF and B4J however, were generally able to meet their performance targets, COVID-19 notwithstanding. The performance risk was mitigated in two ways, as the participants suggested.

a) By all parties conducting the necessary due diligence

**Participant 6:** *“The first thing we do [in any valuation of any proposal], without even talking to the model itself, the first thing we do is an institutional assessment, a due diligence on the party, to make sure that they are credible, have everything in place to do it, they are financially stable et cetera, before we actually move ahead in considering the model itself. So all of that is done upfront and in doing that we were quite happy that the parties did have sufficient credibility and scope capability, basic capacity to implement the various facets of the project”.*

**Participant 2:** *“I think definitely the risk in identifying and selecting and implementing or operating partners that were going to deliver this work, was definitely another risk because you don’t know what you don’t know until you’re in it”.*

**Participant 11:** *“I think it’s inherent in any model that is not a full dosage model and is reliant on other people to deliver. So with the FCW model, what they do is they work with parents to be able to work with children to provide stimulation around early learning and now in an urban setting, really you should have enough centres and primary schools to be able to provide that kind of level of input from a teacher and to maximize your chance of reaching these minimum development thresholds. In that kind of setting, the question is, is it the right curriculum? Is our teacher trained correctly? Do we have the right materials here? Are the children fed? With the kind of model that FCW was using these models are*

*dosage dependent and they're also dependent on then the parents implementing what they've been told”.*

The stakeholders took the time to understand the capacity of the service providers. The IBIF stakeholders had confidence in the Foundation for Community Work (FCW) as a service provider given its long-standing history of serving impoverished communities in the Western Cape. The stakeholders were also confident of the service provider’s capability to carry out the programme, given that it had been delivering the same programme for about ten (10) years (Intellidex, 2021). The B4J participants had confidence in Harambee as a service provider, given that for the period leading to 2017, the organisation’s services had placed over one hundred thousand (100,000) young people into job placements. The stakeholders, therefore, had confidence that similar targets would be reached.

The confidence in the service provider supports the assertion by Gustafsson-Wright et al., (2017) that the service delivery in impact bonds is delivered by well-established organisations that can both assist in the designing of the bond and to implement it. Intellidex (2021) agrees with this notion and adds that service providers with strong track records and a desire to innovate make strong candidates for SIBs.

b) Confidence in the intermediaries

**Participant 12:** *“Another important point is that you need to build trust with stakeholders before you can ask them to be involved in a SIB. If they don't know you, they're not gonna listen to anything. So I feel like the intermediary role is important because it helps; the intermediary must have the connections, must have the history that people are comfortable with and must already have those trust relationships”.*

A second mitigatory factor for the performance risk was the confidence that was placed in the intermediaries. The stakeholders, particularly the investors, had full confidence in the intermediaries who were respected in their respective fields. The intermediaries were able to ‘sell’ the SIBs and the fact that targets would be met. This convinced the other stakeholders to be a part of the mechanism. Both Tshikululu, (2019) and Social Finance (2013) assert that intermediaries play a crucial role in the design and implementation of SIBs. Gustafsson-Wright et al., (2017) argue that there is limited evidence of what would have happened in the absence of the SIBs for anyone to conclude that the government avoided performance risk. They further argue that if a SIB programme fails, and even if the government does not have to pay investors, the beneficiary population would still have needs that have to be met as such failure to meet the outcomes will still be perceived as a failure by the government.

#### 5.3.1.1.2 Model Failure

**Participant 11:** *“I think one of the risks that we as market builders have to think about is that you need to design this in a way that it can be replicated. The lessons can be learned, and you can do it much more cheaply the next time. So yeah, I would say the risk is that if things don't go well and then you don't get another bite at the cherry”.*

**Participant 14:** *“There's a design risk, a perceived design risk, where your typical investment institution is not used to the metrics and the methodology of gathering the metrics, which is the dependent variable, independent variable of the interest rate that they're going to receive. So the better the SIB performs, the higher the return for the investor. And so the methodology is a lot of the time the qualitative/ quantitative measuring sort of measuring methods of social science which investment bankers aren't used to”.*

SIBs were first designed in the aftermath of the 2008/2009 global financial crisis as a response to shrinking government budgets (Gustafsson-Wright et al., 2017). SIBs were appealing to governments as they did not have to pay for unsuccessful programmes and would save money this way. This new approach was a marked departure from the way governments worked traditionally. De Witt (2019) submits that governments have traditionally preferred funding and commissioning services that they are familiar with, as such, contracting based on outcomes is a foreign concept. There was a risk that the SIB model would fail, and if this happened, there would not be another chance to try the model again. The stakeholders in both SIBs sought to prove a concept. The SIBs sought to prove a point that by focusing on outcomes, performance targets could be met. The SIBs were also able to give their investors market-related returns, showing that the financial model works. Intellidex (2021) suggests that the B4J designers wanted to test whether the job prospects for disadvantaged youth could be improved through the provision of a “quick, cost-effective, and demand-led service”. The IBIF designers also wanted to show how and what it costs to deliver quality early learning services, which they did.

**Participant 2:** *“Within Harambee one of the key metrics that we're looking at in terms of measuring, is earnings you know, old-fashioned cash in the pocket and we look at this from two fronts. So one is the cost- you know what are the costs experienced by young people and what can be done to reduce costs? So there is ongoing economic inflation to take into account. But then there are things like cost of data, the cost of work seeking specifically within our Harambe ecosystem and we as Harambee, a lot of our interventions are looking at how we can work within the ecosystem, within the labour market with public sector private sector to reduce these costs at a policy level”.*

**Participant 12:** *“You put together an evidence package, cause when you're looking for an implementer, I think it's the risk about the level of information that you need to go to an implementer with, and also if you think of the end stage of who's gonna sign off on this, what is gonna give them comfort that you've got the best implementer”.*

The mitigatory fact for this risk is also linked to the first risk, where stakeholders took the time to understand the model, learn as much as they could, and pose questions to the experts. By so doing, they were able to have assurance and confidence in the model.

#### 5.3.1.1.3 Financial/Disbursement risk

**Participant 11:** *“What other risks people talk about risks that government won't pay? I don't consider that that's a high risk because government, they know, they do that”.*

**Participant 12:** *“There are other challenges in, you know, finding the funder, also because everybody who is coming to this arrangement is new to it. So the contracting is an issue because they're not used to this contract and so they don't understand the risk”*

Under this risk, some participants indicated how long it had taken to find funders (investors) for the setup. It took the IBIF close to two years to finalise deals with the investors. Intellidex (2021) noted how attracting traditionally profit-first investors proved difficult for both bonds. Even when the deals were eventually signed, it took time for the funds to be availed to the service provider. One service provider noted how, at one point, they thought the arrangement was not going to happen. As mitigatory measures for this risk, the intermediaries induced a blended capital stack into the mechanism, which protected senior and profit-first investors from the downside (Intellidex, 2021).

The use of the blended capital stack may have been what eventually convinced investors to be a part of the SIBs as it helped spread the risk for the investors as they had some assurance of recouping their funds.

Another related risk was that of the government not releasing outcome payments in the event of outcome targets being met.

**Participant 1:** *“We need to understand what didn't work and why [it] didn't, why we weren't able to be repaid. And so maybe our legal undertakings need to be stronger in terms of a recourse back to the Outcome funder. So there shouldn't be an issue in that regard, if the terms and the legal agreements are sound and everybody understands them, because those things can be contracted for in part of the legal agreements where there's some sort of guarantee from the outcome funder”.*

However, as the participants noted, that was not a ‘real’ risk as there were measures in place that would come into effect if such an event were to happen. This finding is consistent with Bergfeld et al., (2016) who put forward that in the unlikely event of the government being unable to pay, it is likely that the country’s domestic legal system would be used in pursuit of a resolution.

### Summary of the finding

In summary, the first key considerations when designing SIBs are potential risks. The research participants identified three main risks: performance risk, model failure, and financial/disbursement risk.

### 5.3.1.2 Clear and verifiable outcomes

The second key consideration in the designing and implementation of SIBs is having outcomes that are clear and verifiable.

**Participant 6:** *“There's gotta be alignment between the investors, their expectations and the outcomes funders. So for example, if you look at a job right, we define the job in a particular way. The investors would define it in a very different way. For example, for them, an internship is a job. For the Jobs fund it is not a job, it's part of the pathway towards create, placing that young person in a job and that alignment has to be there from day one. Everybody's gotta understand, we're putting money in so you can implement and create X. The Outcomes Funder has got to be on board with X, right? So that there's a clear understanding right upfront... we required attestation from an independent party. In this case, PwC; where PwC were given specific recognition protocols, consistent ones They would attest to the outcome that was achieved and on that basis the Outcomes funder funds. And then you know what you pay for an outcome. At what level do you pay So you pay for the job”.*

**Participant 12:** *“Also you have to look at it in an area that has data, because you need to be able to say whatever programme you're gonna do, what's the before situation and what's the after situation, and also to be able to set targets. You need to choose the area, so you need to look at where you would implement it. Are there other people doing similar things there or not, do you want to, I suppose it depends on what you're choosing. Whether you want to do a comparison with other areas, do you want to say this is doing better? This is getting better results than other government programmes. Or is it something that is easy to measure and you can say you know, “This was 5% before, and now we've got 10%”.*

SIBs, by definition, are innovative financing instruments in which entities, usually governments, enter into agreements with social service providers to pay for the delivery of pre-defined social outcomes (Carnoy and Marachi, 2020). The operative word in the definition above is ‘pre-defined’. Proponents of SIBs advocate for them on the basis that the focus on outcomes, rather than on activities and/or inputs results in better service delivery (Sinclair et al., 2021). SIBs are suitable for conditions that have a readily identifiable population, a distinct intervention, as well as clear criteria for measuring impact (Liebman, 2011, as cited by Sinclair et al., 2021). This point is also important as it requires there to be data that can be used as the baseline, which makes it integral for the attribution, that is, to correctly measure the impact that a SIB project has had.

What is important at the designing stage of a SIB is having outcomes that are agreed upon by all stakeholders. Gustafsson-Wright et al., (2017) suggest the importance of negotiating outcomes among stakeholders, where the metrics should be measurable, meaningful, and set at the appropriate level. For SIBs to work, Carnoy and Marachi (2020) suggest that they need clearly established goals that can be achievable within a given period. There must be consensus around the goals, with the outcome payers (government) being willing to pay for them (GOLAB, 2023).

The two SIBs, the IBIF and B4J introduced clear and easily verifiable outcome measures for complex issues. In both SIBs, clear outcome metrics were agreed upon to measure the programmes’ success. Part of the reason why the bonds took long to set up was the back-and-forth between stakeholders before they could agree on the outcomes. For example, in the B4J, there was no clear definition of what constituted a job placement.

Different stakeholders in the B4J had their definitions of what constituted a job placement; it was only after robust discussion and engagement that the criteria for a job placement were agreed upon.

For the B4J, a job placement was defined as follows:

- *As belonging to one of three sectors: Business Process Services (BPS), Installation, Repair and Maintenance (IRM), and Information and Communication Technology (ICT).*
- *A contract of at least 12 months, or in the case of the Jobs Fund, 24 months.*

Fraser et al., (2018) suggest that given the emphasis on outcomes, it is integral to the mechanism's viability and credibility that an independent evaluator be responsible for the accurate measurement of the intervention that would have been provided by the service provider. Outcomes in both bonds were verified by independent evaluators before payments could be made. PriceWaterhouseCoopers (PWC) was the evaluator for the B4J and would prepare a job placement report that they shared with the outcome funders and investors. In the IBIF, Development Works Changemakers was contracted to conduct a 'social audit' of FCW's performance against targets. Without service providers agreeing to the outcomes, Intellidex (2021) suggests that the SIBs' performance would have been unverifiable, which would have compounded repayment to investors.

### Summary of the finding

The main finding here was that clear and verifiable outcomes were a key consideration for the role players in designing and implementing the SIBs.

### 5.3.1.3 Outsourced services that are linked to government priorities

Another key consideration before designing an impact bond is that it must be in an area that the government sees as a priority but has outsourced the service delivery to other players.

**Participant 11:** *“So firstly I think it's ideal if the services are outsourced. SIBs should be applied to areas that are neglected by government. So the government's not funding them currently because they want to advocate for those areas to be funded because they want to prove the economic case for government funding them”.*

**Participant 12:** *“So the first lesson is choosing your area of focus in something that government sees as a priority. And that stakeholders would be eager to participate in, especially in the beginning”.*

**Participant 13:** *“I think that it also seems to make sense in particular, where government is not doing a good job, so you have non state providers who are having to step in, who perhaps understand the needs of these individuals or communities better. And I often talk about that it seems to be a good fit where the achievement of the outcomes are highly human behaviour dependent, and that human behaviour can be either on the part of the beneficiaries or on the part of the service, those who are delivering the services. So that sort of human behavior is also related to the complexity and so I think that again, that's where there's a lot of room”.*

SIBs are designed to promote financial investments in low-income communities that have been plagued by poor service delivery (Carnoy and Marachi, 2020). SIBs are a vehicle for attracting new funds to implement interventions among vulnerable populations.

SIBs tend to be targeted at populations, “*with highly complex needs, most vulnerable to the social exclusion and policy failure that would benefit from tailored, responsive and intensive service interventions*”, (Edmiston and Nicholls, 2018, pg. 60). As was highlighted in Chapter 2: *History of Financing for Development*, SIBs, as products of social innovation, typically target unmet social needs that government programmes and markets have struggled to address effectively (Brandsen et al., 2015). SIBs are designed to be vehicles for service delivery trials where interventions have previously not worked or failed to produce the desired outcomes. It is for this reason that outcome funders participate in SIBs as they help steer interventions where it has failed.

Maier and Meyer (2017) also add that the area best suited for a SIB intervention is one in which the public agency (government department) links the provision of a particular service to the overall government policy goals and its (the department’s) policy field. This means that an important consideration for a SIB is a service that the government deems as important. Gustafsson-Wright et al., (2017) suggest the importance of involving the outcome funder in the designing of SIBs as this lends credibility to the process and provides a platform for the SIB to be aligned with government priorities. The designers of SIBs need to understand the government’s areas of interest and priorities so that the SIB can fill in the gaps where the government is falling short. SIBs also work in areas where the government outsources services. The South African government outsources some service delivery to civil society, in many areas, including health, education, and job creation.

The two SIBs, the IBIF and B4J, were set up in areas where there was a policy or service delivery failure, which is a finding that is consistent with the current literature on SIBs. Intellidex (2021) notes that both SIBs showed effective policy innovations in areas that had been long-suffering.

The focus of the two SIBs, early childhood development and youth unemployment are critical priority areas for the South African government. In 2021, the South African government expenditure on education as a total percentage of the Gross Domestic Product (GDP) was over 6% (Stats SA, 2023). This figure, as Intellidex (2021) notes, does not even include the billions of rands spent on education by the private sector and civil society. Despite the large sums of money being spent on education, the quality of education that the children receive is disputed. There has been an inordinate focus in the sector on inputs (number of teachers, the number of schools, etc.), and not on the outcomes. It is evident that the old way of working has not produced the required results.

A similar situation is also found in South Africa's employment sector, where activities and inputs have not resulted in a reduction in the unemployment rates. In the years preceding the B4J, South Africa was faced with low levels of employment, and a decade of weak job creation, which The World Bank (2021) asserted was below the standards of most upper-middle-income countries. Youth unemployment at the end of 2020 was significantly high, with 63.2% and 41.3% of youths between the ages of 15-24 and 25-34 years being unemployed, respectively (Stats SA, 2021). Youth employment programmes in South Africa are generally not tailored to the needs of employers. As such, they are not effective and are a huge cost for the state, private players, and civil society. Khan (2021) also notes how many youth training programmes do not conduct job matching, which is an approach to youth training that designs and tailors job training in consultation with employers.

The IBIF got support as it brought a new way of thinking. The next frontier in the delivery of education and training, as Intellidex (2021, pg. 19) puts forward, “*is ensuring the quality of services is improved such that the services fulfill their ultimate objectives: better education and better life chances*”. The mere receiving of an education should not be a priority, rather, the focus should be on quality. The same search for efficiency is what drove the South African government to consider a youth employment SIB, where the focus is on outcomes, and not just process.

#### Summary of the finding

The research found that it is important to design and implement SIBs that are in line with government priorities.

##### 5.3.1.4 Government willingness

While linking SIBs to government priorities is an important consideration, the government also must be willing to participate in the model. The government’s willingness to participate in the SIB process is another key consideration.

**Participant 10:** *“Definitely the political buy-in from whichever department you're going to run it through. And you need that outcome funding to be ring-fenced. I think the way the National Treasury works, it's like they have a budget for one year. Use it or send it back to the treasury”.*

**Participant 11:** *“First and foremost you need outcomes funding. And so you need to find a department and find a donor. I would generally say both. Who's willing to pay for these particular outcomes. And you need to go and secure that outcome funding ...and so generally, what would happen is that some external party would work with government,*

*like a Bertha Centre, like DNA Economics, like a Social Finance, would work with the outcome payor to draft a set of outcomes and a set of targets”.*

**Participant 13:** *“There are a number of other factors that make it feasible to get an impact bond off the ground or not, and that includes buy-in primarily and for first and foremost is the buy-in from outcome funders. So if outcome funders aren't willing to pay for outcomes, then you don't have a deal...Political will. Yeah. And with that sort of the outcome funder's ability to engage actually, not just willingness, but ability. So can they pay for outcomes. It's also an important piece”.*

SIBs were created as a means of curtailing high government expenditure on interventions for social problems that were not producing results. Over the years, many governments have spent large sums of money in the pursuit of solutions to problems like homelessness, and recidivism, but the challenge has been that the way these funds were being spent was not making an impact (PPIA, 2014). De Witt (2019) posits that by engaging in SIBs, where contracting is based on the results (outcomes), SIBs allow the government and service providers to be more creative with what they are doing, fostering an environment that delivers a genuine opportunity to solve the most complex of social issues. Gustafsson-Wright et al., (2017) suggest that SIBs legitimise seeking private investments to reduce the social costs of solving social problems as investors assume all the financial risk. It behoves the government to explore SIBs, as they can be a way for it to spend scarce public money prudently. The government must be willing to explore SIBs as a solution to limited resources, as funds are spent on interventions that will achieve results and will hold funders and service providers accountable for what they deliver. Chapter 2, *History of Financing for Development*, positions SIBs as a core component of social investment.

In alignment with the Social Development Theory's emphasis on the interplay between social and economic progress, Ogujiuba and Mngometulu (2022) argue that social investments, including SIBs, can stimulate economic growth while concurrently addressing poverty and inequality. This suggests that SIBs can serve as a strategic tool for governments to tackle pressing social and economic challenges within their scope of responsibility. There was willingness from the outcome funders (both national and provincial government), who were eager to explore a new way of doing business.

#### 5.3.1.4.1 Short-lived willingness?

**Participant 15:** *“That was a one-off thing. The funding stopped after that, it wasn't continued. So, it's not something that the department wants to continue doing. I think that was just a special thing that happened once. I'm not sure if the motivation was to explore to see if it would kick off and then secure more funding to scale that up you know”.*

An interesting finding from the study is that although there was initially a willingness to participate in the SIBs, that willingness seems to have dissipated, as one outcome funder pointed out that to them, SIBs were “a once-off thing”. It would seem as though there was a willingness to test out the model but not make it a permanent way of doing things. This finding is unsurprising given the literature on social innovation, which frequently highlights the short lifespan of such initiatives. Many innovations are abandoned within a few years. This is further corroborated by the challenges the Researcher encountered during participant recruitment. Several organisations involved in the SIBs were unfamiliar with the projects, suggesting that these projects may have been short-lived or discontinued permanently.

#### 5.3.1.4.2 Finding a champion

In addition to the willingness from the government, it is also important for there to be a ‘champion’ in the outcomes funder entity that will push the project. The key to the success of an impact bond, as Gustafsson-Wright et al., (2017) point out, is finding a champion in the outcome funder organisation who is senior enough to take the process forward. The champion is also able to help smooth out processes where there might be administrative bottlenecks. However, there is a challenge with having one champion. Tshikululu (2019) notes an example of a failed health impact bond in South Africa that collapsed after the champion left the outcomes funder organisation. If the ‘keyman’ leaves, as Tshikululu (2019) identified, support for the project will often dwindle due to low levels of understanding of the project from the broader team.

**Participant 10:** *“I think you also need people in government to have the vision, like the one guy, his name is Toby Mitchum\*\*<sup>2</sup>. He's like the senior health person in National Treasury, so he's got that vision and he's like, OK, you know what? Let's see if it works or not, and then if this does have the potential, maybe they could propose it for NHI or something and pay for health that way. So yeah, easy”.*

Gustafsson-Wright et al., (2017) suggest that one challenge with SIBs is when people who would have worked on the bond at the beginning start to leave or move to other departments. This is why it is important to workshop the concept with many government stakeholders to foster ownership of the process.

---

<sup>2</sup> Name changed.

### Summary of the finding

The research found that the government's willingness to take part in the SIB mechanism was a key consideration, as was finding a champion in the government to motivate the need for the mechanism. The research also found that the government's willingness seemed to be short-lived as some outcome funders viewed the SIBs as a once-off project.

#### *5.3.1.5 Intermediary credibility*

The participants also spoke about how the intermediary's credibility was an important consideration before taking part in an SIB. Although this research has already mentioned the importance of an intermediary as a mitigatory factor under risks (performance risk), the point bears repeating here, under key considerations.

**Participant 12:** *“You need a good programme content, right and you need a good implementer [who will] build trust with stakeholders before you can ask them to be involved in a SIB. If they don't know you from Adam, they're not gonna listen to anything. So I feel like the intermediary role is important because it helps; the intermediary must have the connections, must have the history that people are comfortable with and must already have those trust relationships”.*

**Participant 6:** *“The funding mechanism, the social impact bond funding mechanism for us was a key consideration. We were very clear on, we were pedantic, basically, on the credibility of the intermediary. So in this case, Bond For Jobs was used, right. And the problem with the intermediary space is that there are very few credible intermediaries out there doing this”.*

Intermediaries play a critical role in the design and implementation of SIBs as they convene stakeholders to strike agreements as well as support the negotiation of SIB agreements (Tshikululu, 2019; Social Finance, 2013). Intermediaries assume a supervisory role on behalf of the investors and outcomes funders; as such, they play a central and strategic role in the mechanism. The PPIA (2014) propounds the importance of having an intermediary with a strong background in community investing, social policy, financing, and programme evaluation as these are important in the understanding of the motivations of each stakeholder. This finding, the importance of a credible intermediary, corroborates what is also found in the literature. The IBIF had two intermediaries: Volta Capital which acted as the financial intermediary and was responsible for soliciting investments and managing them, and the technical intermediary, Mothers2Mothers, which worked with the service provider in capacity building and ensuring that the programme ran efficiently. A technical intermediary, as Intellidex (2021) notes, is responsible for identifying and selecting service providers, as well as managing all the reporting on the SIB's performance. Volta Capital is a leading private investment fund, with experience in structuring impact investment projects that meet the needs of underserved communities. Mothers2Mothers is a renowned non-governmental organisation (NGO) that provides health and HIV/AIDS information and support to pregnant women and new mothers living with HIV/AIDS.

The intermediaries in the B4J were the Bonds4Jobs and Harambee Youth Employment Accelerator (Harambee Accelerator), which is the operational delivery division of Harambee that designs and runs training. In addition to being a technical intermediary, Harambee Accelerator also aggregated the outcome funds from outcome funders. This was because Harambee already had pre-existing grant-funded relationships with each of the outcome funders (Intellidex, 2021).

Apart from the pre-existing grant relationships, other relationships may have played a part in ensuring that negotiations and agreements between stakeholders concluded faster. Yellowwoods, which was an investor in the B4J, founded both Harambee and B4J (the other intermediary). Yellowwoods was also responsible for managing the investment funds for some of the commercial investors that were part of the B4J (Intellidex, 2021).

As is evident from the above, all the intermediaries were powerhouses in their respects. They played a key role in putting the SIBs together, were able to raise funds from outcome funders, managed the relationships between the various stakeholders, provided capacity building to service providers, as well as did the reporting on the SIBs' performance. Having an intermediary that is reputable and credible bodes well for a SIB. In the case of the B4J for example, one of the intermediaries leveraged their relationship and influence with investors and convinced them to take part in the mechanism.

Given the central role that intermediaries play, Bergfeld et al., (2016) highlight that they might also become problematic and become a bottleneck in administering the SIB. Intermediaries might have difficulty coordinating and managing the complex relationships in a SIB mechanism, which would stifle the SIB. Tshikululu (2019) also agree with this assertion as they found in their report that a potential SIB in South Africa failed to launch due to what the service provider described as a more central and strategic role that was played by the intermediary. The service provider found this role to be interfering, which resulted in conflict and a breakdown in communication and cooperation between the two parties, resulting in the SIB not launching.

The same was reported by some participants who highlighted that the health component of the IBIF failed due to what they could describe as a likely lack of understanding of the intermediary's role and a perceived conflict of interest between the service provider and intermediary. This is what one participant said when asked about the possible reasons for that aspect of the IBIF failing:

**Participant 4:** *“I think it was more a clash of personalities and interest, and I think the fact that the impact bond project was set up to be managed by Mothers2Mothers, who were going to serve as an intermediary, and I think (Thula\*\*)<sup>3</sup> was really just of the opinion that there was no need for an intermediary and that given the history and the track record of the NGOs that they could do this without, having to have an intermediary organization walking alongside. Look, I think that is just how we were reading the situation and the tensions. I think we only had one or two meetings, joint meetings with ourselves and Thula, and after that we didn't hear anything, other than to be informed that the health component of the impact bond was going to fall away”.*

It must be noted that the intermediary and the potential service provider, Thula\*\*, were in the same area of work, that is, maternal, child health, and nutrition work. From what Participant 4 was describing, there seemed to be a clash, probably competition, mainly from the potential service provider which viewed itself as a leader in the space, as such, it felt that there was no need for a ‘competitor’ to tell it what to do and how to run its programmes.

---

<sup>3</sup> Organisation name changed.

**Participant 14:** *“There has to be the trust factor from the side of the implementation, the organisation that is going to actually implement the SIB outcomes”.*

It is important for future SIBs, as Tshikululu (2019) suggest, to workshop the SIB concept with all participants so that the different roles are clearly understood by all the stakeholders and to dispel any feelings and thoughts of conflict. Bergfeld et al., (2016) submit that there is a need for transparency in all SIB processes and that it is through the scaling-up of the SIB market, as well as trial and error and good due diligence on the part of stakeholders, that such conflicts of interest be mitigated. They further propound that as more experience in designing and implementing SIBs is gained, best practices and guidelines for intermediaries’ roles, as well as the process for removing or substituting them, will emerge.

#### Summary of the finding

The research found that having a reputable and credible intermediary was an important consideration in designing the SIBs.

##### 5.3.1.6 Overall summary of Theme 1: Key considerations when designing SIBs

Designing SIBs and implementing SIBs requires careful consideration of several key factors including risks. There are many potential risks that designers of the SIBs must be aware of, such as performance risk and model failure, where a SIB might not achieve set outcome targets, or the model fails, and investors lose their money. Designers of SIBs also need to ensure that the SIBs have clear outcomes and that those SIBs are linked to the government’s priority areas so that the SIBs can fill in the gaps where the government is falling short.

It is also important for the government to be willing to participate in the model and for SIBs to have a credible intermediary that can manage the entire process. By considering these important considerations, SIBs can be designed much more effectively.

### **5.3.2 Theme 2: SIB Challenges and Strengths**

The research also sought to understand the challenges faced by the different stakeholders participating in the SIB model. The challenges that the participants reported were *A lack of understanding of the model, High costs, Lengthy setup period, Lack of regulatory frameworks, Diverse partners, and the Impact of COVID-19*. These challenges will be discussed individually.

#### *5.3.2.1 Challenges faced:*

##### *5.3.2.1.1 A lack of understanding of a complex structure*

One key challenge that was reported by the participants was the complexity of the SIB model, coupled with a lack of understanding of how it worked.

**Participant 6:** *“The investment Committee members would not necessarily have seen a proposal like that before. They did not necessarily understand, neither did we, by the way when it first came, we learned as we went along what the social impact bond animal actually is...”*

**Participant 11:** *“We worked with Social Department, the provincial departments of Social Development and Health. We wanted to set up more than one impact bond, so we were overly ambitious. And we should have stuck to one and we should have made it less complex. So that was a lesson learned. I think the reason at the time that we thought we should do more than one was that we considered that it would be more cost effective and if and we wanted to test as many things as possible”.*

SIBs are defined as an innovative financing mechanism that sees governments entering into agreements with service providers and investors for the delivery of predefined social outcomes, with the government paying back investors after the outcomes have been met (Carnoy and Marachi, 2020). The underlying rationale with SIBs is that achieving set goals saves money for the public sector in the future. While the definition of SIBs above and the rationale behind them seem common and well known now, at the time that the IBIF and B4J were being conceptualised and designed in South Africa (circa 2016), the definition of SIBs and what they entailed were not common. As SIBs are a mechanism that requires the outcome funder to pay only after outcomes have been met, the mechanism was highly unusual for most of the role players.

Historically, donor agencies have funded programmes and services based on inputs, activities, or outputs and not outcomes. This is what they (donors) and other stakeholders are familiar with. As with all new things, they require time and erudition. As Participant 6 above expresses, they had to go through learning to understand what the model was about. This agrees with what Gustafsson-Wright et al., (2017) suggest, that as paying for outcomes is not the norm, there is a need for education around the subject, as this will be key in opening future SIBs.

Closely linked to a lack of understanding around SIBs, was the complex nature of the mechanism. As Carnoy and Marachi (2020) make clear, SIBs are difficult to commission and they require expert input, oftentimes from the very same people who are pushing the mechanism. One complexity of the model is the addition of an intermediary into the mix.

**Participant 4:** *“There was no need for an intermediary and that given the history and the track record of the NGOs that they could do this without the, you know, having to have an intermediary organization walking alongside”.*

**Participant 5:** *“We got to the office and then he (Investor) wanted to chat about the project and he was like he doesn’t see the point of why we need to go via this complicated route, whereas they can just give us the money directly and we do the work”.*

There was a general sentiment from some participants, mainly service providers that the involvement of an intermediary complicated a mechanism that was already complicated. The same line of thought is pushed forward by Carnoy and Marachi (2020) who think that as SIBs are designed on the premise that public funds would be used to pay for outcomes, then there should not be a need for an intermediary as this adds to the complexity of the mechanism. The SIB structure is indeed complex as it involves various role players who interact at different levels. The figure below shows the role players and how they interact in a SIB mechanism.

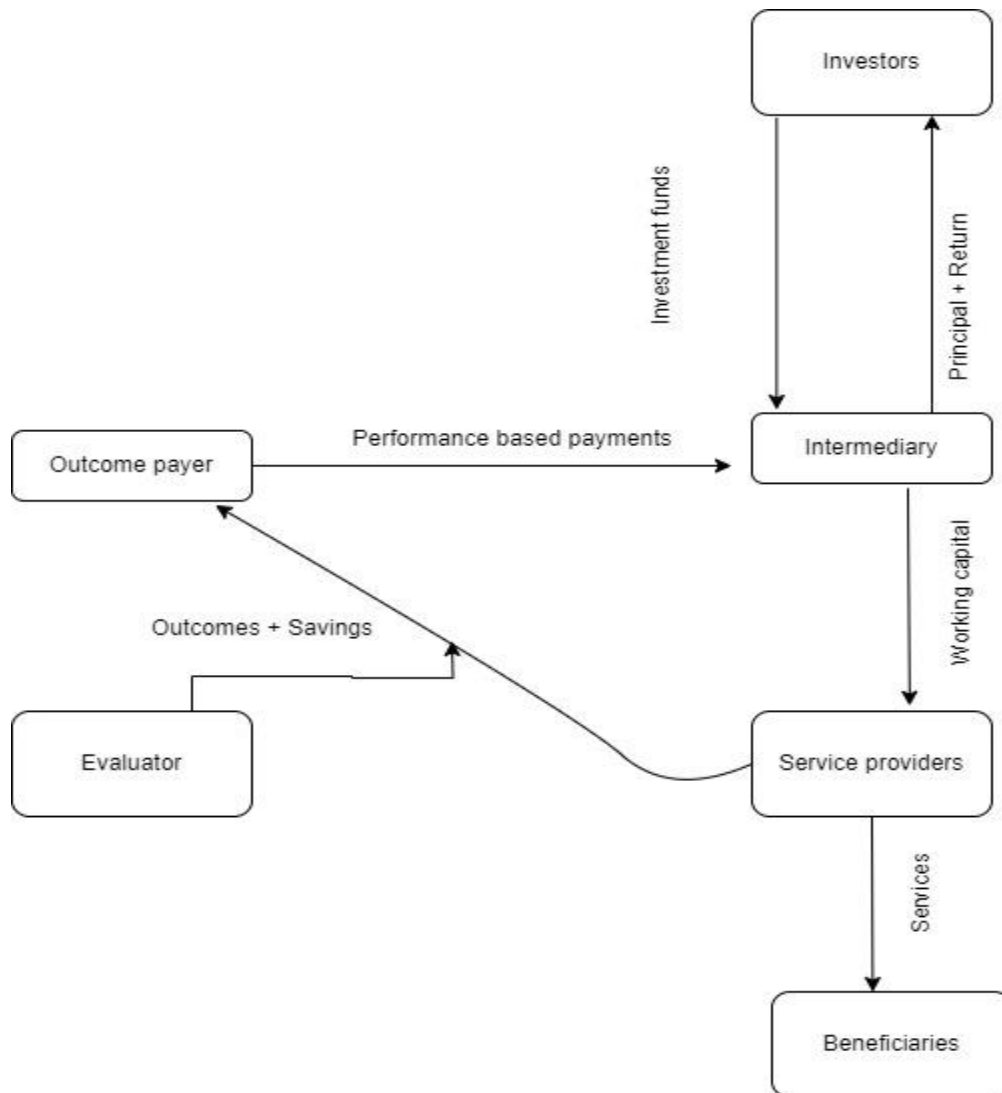


Figure 4: SIB structure. Adapted from Bergfeld et al., (2016)

SIBs typically vary in their nature and composition, but the general structure is found in the diagram above. In a SIB model, the government would identify a target population and would then enter into a contract with a private intermediary, which would be responsible for overseeing the setup and ensuring that the outcome(s) is achieved (Child, Gibbs and Rowley, 2016). There are various role players in the setup (see *Chapter 3: Results-based Financing and SIBs*). While all the role players play an important role in the mechanism, intermediaries are of particular importance as they are the glue that holds the mechanism together.

Carnoy and Marachi (2020), point out the involvement of intermediaries from the initial conception of SIBs, where they are responsible for orchestrating SIBs and making proposals to both government and private investors. Intermediaries are also responsible for drawing up contracts with private investors whose funds are used to finance the interventions (Child et al., 2016). The Intellidex report (2021) on the IBIF and B4J highlighted the importance of having intermediaries in the setup. The report found that the intermediaries were instrumental in soliciting investments, they provided valuable oversight and much-needed capacity building for service providers, which then increased the odds of the SIBs being successful.

**Participant 2:** *“It was really key was that Harambee was required to manage the flow of funds and the transactions between all the different parties and, also to provide technical advisory on the kinds of and work readiness or training interventions that we were looking at, making sure that there was a link to demand”.*

In the B4J, as the Intellidex report (2021) maintains, the intermediaries were able to leverage existing relationships between some of the role players, which was critical in quicker negotiations for the SIB’s commencement. In the IBIF, the intermediary supported the service provider in meeting the recruiting and retention targets. The view that removing intermediaries from this setup will make it less complex does not hold much water as intermediary functions, like capacity building, solicitation of funding, and reporting, would still need to be carried out (Intellidex, 2021). It would be better for these functions to be carried out by a party with the know-how rather than being piled on either the outcome funder or service provider. From the IBIF and B4J, it is evident that the presence of intermediaries enhanced the SIBs’ performance.

### Summary of the finding

One key challenge that the research identified was a lack of understanding at the conceptual stages of how SIBs worked as the participants viewed the mechanism as complex.

#### 5.3.2.1.2 High costs

Another challenge with SIBs is the high costs that are associated with the mechanism. Gustafsson-Wright and Osborne (2020) argue that a common criticism of SIBs is that they are too expensive to design and implement.

**Participant 6:** *“Now the social impact bond has certain cost implications, right? So it's much more expensive to do a social impact bond than it would be to do a normal refunding model, right? Because the platform in itself costs a lot of money. Because you pay auditors, you pay the intermediary etcetera.”*

Carnoy and Marachi (2020) also argue that SIBs are expensive to set up as they are set at a premium cost to the public sector. The SIB mechanism is designed so that the financial risk that the government usually assumes when taking on social projects is shifted to the private investors, who will only receive their investment plus profit after results have been achieved (Sinclair et al., 2021). The money that is paid to investors as interest is intended to reflect the savings gained from the intervention (Gustafsson-Wright et al., 2017). According to the OECD (2016), the upfront amount paid by investors is considered a short-run cost, with the conditional payback by outcome funders being a long-run cost. Apart from these standard costs, there are also associated or transaction costs, which include payments given to service providers to implement programmes; there are also intermediary fees, legal fees, as well as fees for evaluators and auditors for the services that they render in the mechanism.

These associated costs require specific expertise, which, in most cases, must be outsourced (Gustafsson-Wright and Osborne, 2020). All these additional payments add to the eventual high cost of the SIB. Carnoy and Marachi (2020) and PPIA (2014) suggest that SIBs' highly intricate structures and contracting arrangements complicate stakeholders' ability to navigate the process, and this complexity results in increased costs. As there is no standard way of organising SIBs, related costs vary between different SIBs, with some intermediaries charging closing fees or a success fee that is included in the SIBs' budget. However, Huckfield (2000), suggests that there is difficulty in ascertaining the real costs of SIBs as transactions and ongoing support costs are kept confidential. It is, however, known that SIBs are prone to high costs, and it is because of these high costs that Carnoy and Marachi (2020) wonder whether the public sector should not just do away with the SIB mechanism and finance and directly manage the programme itself.

The findings from this research are consistent with the literature, given the high costs of the bonds. The IBIF was designed at R12.9 million (including payments back to investors), while the B4J was designed at R125 million. Intellidex (2021) notes that the cost of delivering early childhood services was higher in the IBIF, while the cost of delivering jobs in the B4J was much lower than in other similar youth employment programmes, and people were placed in jobs much more efficiently. If the full cost of the IBIF was given to FCW in its entirety, how much impact would it have made? Would FCW have achieved more outcomes? These are the questions that need to be interrogated when such projects are being considered.

The high costs associated with SIBs, especially in the early stages of their development, are necessary and cannot be eliminated, given the growth of the SIB market in South Africa.

**Participant 6:** *“If you look at unit trust for argument’s sake. In the 90s and early 2000s, a money market fund would have charged you 5 1/2% cost to your money in a money market fund. Alright, just simply to invest; you put R100 in, the next day you've got R95, irrespective of the interest rate, right. And cost to a product reduces over the lifespan today for money market funds. They don't even charge you. They take your money for free. They don't charge you for it and they give you the interest. Obviously they make a margin on investing in the money, right, but there's no cost involved 25 years later or 30 years later. And it's about developing the concept, rolling out the product through others investing, by proving that concept and thereby creating space for innovation therein and reducing ultimately the cost of the intervention, which then in itself brings together other funders”.*

Participant 6 is of the view that as the SIB market in South Africa is still nascent, the high costs cannot be avoided. He uses an illustration of the growth in the banking sector, where in the early 2000s, banks charged exorbitant fees to clients for certain products that they rolled out. However, as time went on, the costs eventually decreased to near zero. The argument that Participant 6 is pushing forward is consistent with the OECD’s (2016) argument that as SIBs become more mainstream, and their development processes become more standardised, transaction costs will likely be reduced. Gustafsson-Wright and Osborne (2020) agree with this notion and add that development and transaction costs in other social service provisions are never zero as public procurement processes require significant due diligence, which would certainly increase the costs of those services. They also argue that when examining costs, it is imperative to consider what is included in the total cost of a SIB, that is, the costs of structuring the deal, implementing, and validating the SIB, and how this compares to other forms of project financing.

The authors also argue that other forms of financing have been around much longer, and in the process, they developed standardised and streamlined processes, which may have reduced the time and cost to set them up. Gustafsson-Wright and Osborne (2020) submit that the impact bond market has evolved with respect to costs, and there is a real possibility that these costs can be reduced even further.

### Summary of the finding

The research found that the participants viewed the high costs associated with SIBs as a challenge associated with the mechanism. However, some participants thought that the high costs were to be expected given that the mechanism was still a developing concept in the country.

#### 5.3.2.1.3 Lengthy setup period

Another challenge that the IBIF and B4J faced was the lengthy setup period. Several participants pointed out the length of time that it took to conceptualise the SIBs and eventually implement them.

**Participant 4:** *“My take certainly would have would have been that if donors and funders and Government departments and officials were all speaking the same language and all being supportive and understanding, that the startup wouldn't have had that long period of delays in terms of getting the uh, you know, the show on the road”.*

**Participant 1:** *“It was an intensive amount of work and time period for such, so lots of effort, from a legal perspective, lots of effort from an analysis perspective, for such a small amount that needed to be deployed and so what I'm saying is the effort versus the return and reward weren't commensurate. We wanted to be part of that initiative and yes, it was a smaller amount that we had allocated to that and then, but it took months to conclude,*

*months. So I'm saying it's like the resource perspective, it's effort, it's legal... It was intensive for what you got out. Yes, the social outcomes were great, but remember, we are not in the game of, in the business, I shouldn't say the game; we are not in the business of only ensuring social impact”.*

**Participant 12:** *“The approval process is one thing, one of the timeline challenges”.*

GOLAB (2023) suggests that impact bonds take a long time to develop, which is consistent with the findings from this research. The IBIF, as reported by Intellidex (2021), faced an uphill battle as it was the first SIB to be negotiated in South Africa, as such, it took approximately two years for negotiations with investors to conclude. One of the reasons for the delays in concluding the deal was the reservation by investors regarding the viability of the project. This risk was only mitigated using a blended capital stack which saw traditionally commercial (profit-led) investors ranking more senior than impact-led (traditionally grant-making institutions) investors. This process was then followed by a lengthy design phase. Initially set to house two SIBs, the IBIF was plagued with coordination challenges between the Departments of Health and Social Development (GOLAB, 2022a). The result, after the lengthy negotiations, was the falling away of the health component of the IBIF.

The B4J negotiations took less time, as the intermediaries had learned from the IBIF process, and leveraged their existing relationships with the various stakeholders. There are several reasons why designing the two SIBs took so long. One of the reasons was the lack of information on what SIBs were and so a lot of time was spent on educating potential stakeholders on the mechanism.

The OECD (2016) maintains the view that a lack of precedent in the development and implementation of SIBs is a huge challenge that stakeholders grapple with, as without prior experience and adopting a ‘learning-by-doing’ approach, the process becomes much more time-consuming. This would explain why B4J negotiations took a shorter period and was the first to be launched, compared to the IBIF, despite the latter being the first to be conceptualised.

The Intellidex report (2021) reports that the IBIF and B4J negotiations took a long time to conclude as the SIB participants had no comparable prior experience with SIBs, and the special purpose vehicle that was designed to house the SIBs had no track record either. The stakeholders also spent a lot of time agreeing on outcome metrics, which involved a lot of back-and-forth between stakeholders. For the IBIF, the lengthy time that it took to conclude contracting was a huge problem for the service provider/ implementer whose Board of Directors became uneasy with the whole project. The service provider participants alluded to how the director of the organisation was constantly under fire from the Board to such an extent that he was nearly let go.

Another challenge that further compounded matters was the fact that the service provider had already hired a monitoring and evaluation consultant without first receiving the SIB funds, which meant that they had to pay the consultant from their limited resources until the SIB money came in. The funding did eventually come in, much to everyone’s relief.

**Participant 4:** *“The fact of the matter was that we employed a key staff that that was going to be funded by the social impact bond project and then 3-4 months later, we still haven't finalised the grant agreement, we were still waiting on the funding. And yes, I think we got slightly worried after six months into the programme that we were carrying staff that were going to be involved in the project that we haven't received funding for”.*

**Participant 5:** *“Our Chairperson, was like, “what are you doing, you don’t have funding, why did you start the project”? You know, eventually it came through, but kind of halfway. There was an App that was supposed to be developed, there was hiccups and delays with that as well”.*

Gustafsson-Wright and Osborne (2020), however, argue that the time spent on project design is necessary and unavoidable as this time has a profound impact on the results of a SIB. The deliberations bring together the various stakeholders, seating them down to negotiate outcomes, metrics, etc. While this process might also increase the cost of the SIB, it can also yield great benefits. It is important that the time it takes for a SIB to be designed and implemented be reduced as, according to Gustafsson-Wright et al., (2017), the lengthy negotiations and small-scale contracts might put off potential investors. As one investor already pointed out, *“the effort versus the return and reward weren't commensurate”.*

The investor argued that they are involved in many transactions, worth a lot more than what they invested in the SIB, yet the SIB negotiations took a lot more time, to such an extent that they did not consider the transaction worthwhile, and this would impact whether they would participate in another bond. This thinking is consistent with the finding by Intellidex (2021), that in South Africa, as with other places around the world, commercial investors have found it difficult to commit to SIBs as the transactions tend to be small and not worth the transaction costs.

**Participant 10:** *“It doesn't take one SIB to do it, right. You might have to do it continuously. You do something, you find something, you improve it. The next SIB you get better results, and you get better and better. And also you get better and better because the stakeholder relationships are both better. The trust is better, so the time to development of a SIB is shorter because you already have the relationships”.*

**Participant 13:** *“I think that it's important to remember that both the IBIF and the Jobs impact bonds were really early on. They were among the first in a middle-income country, and with a lot of new actors and who didn't have the experience. Well for the actors who are engaging again in impact bonds, they seem to be doing things much quickly. And two, hopefully if there are stakeholders who are engaging for the first time, they are taking the lessons learned from the previous. From the projects now over 250 that have been contracted over the past decade or 15 years whatever it is, I do think that that's reducing and I think there's a possibility of it reducing more”.*

Gustafsson-Wright and Osborne (2020), however, argue that as the SIBs become more mainstream and standardised, the time that it takes to design them will also decrease, as with the cost of setting them up. It was important for the stakeholders in both the IBIF and B4J to get a ‘taste’ of being a part of the innovation that is a SIB. The lengthy time of setting up the SIBs is justified, but as more and more SIBs get designed, there will most likely be a reduction in the amount of time that it takes to get a SIB off the ground.

### Smart contracts

One way that was identified by some participants to reduce the time that SIBs take to design, as well as improve SIBs' efficiency is by using blockchain and smart contracts.

**Participant 14:** *“Blockchain solves those problems for us [of transparency and measurement]. So blockchain transactions are trust-less, they don't require trust, because of the smart contracts, right? So that takes care of the trust factors on both sides, investor and implementer, and then the transparency of the matrix, the blockchain is the perfection of transparency”.*

Blockchain is the underlying technology on which cryptocurrencies like Bitcoin are developed. A blockchain is defined as a shared digital ledger, or a continuously updated record of all transactions (Taherdoost, 2023). Blockchain technology enables the secure transfer of information via a distributed infrastructure, and this feature has given rise to smart contracts (Ante, 2021). According to Szabo (2018), a smart contract is a computerised transaction protocol that executes the terms of a contract. Smart contracts are scripts of code that are anchored on a blockchain, and as soon as it is triggered by a transaction and is validated, predefined actions are executed (Ante, 2021). The conditions of smart contracts are transparently stored on the blockchain and are known by all the participants in a transaction, which reduces trust issues, and reduces the overall time it takes to set up a bond and verify outcomes.

### Summary of the finding

The research found that the length of time that it took to set up the SIBs was a challenge. However, it was also found that the lengthy period it took to set up the mechanism was understandable given that the mechanism was new.

Some participants believed that with time, given that more SIBs have been designed and best practices established, the length of time will be reduced. Some participants suggested incorporating blockchain technology and smart contracts into the SIB process as a way of making it efficient and transparent.

#### 5.3.2.1.4 Lack of regulatory frameworks

Another challenge faced by the SIB participants and linked to the previous challenge of the lengthy time, is the lack of regulatory frameworks that govern SIBs.

**Participant 11:** *“The government has a very structured way of procuring and standardizing the contracts. And so when you are contracting on the basis of a future event as opposed to an achieved milestone, there's quite a lot of hoops that you have to jump through and that's just on the kind of milestone basis. And then if you add a financier into the mix in addition to that, government needs to understand what, and how to account for that financing within the regulatory framework. So does it constitute a borrowing, for example? Or is it a future financial commitment, in what form is that financing”.*

**Participant 12:** *“If you want government approval at the highest level, it takes much longer. But obviously the second time around it will be easier, right”.*

Several participants reported that the lengthy contracting phase was because government systems were not designed to accommodate a SIB process, which is consistent with literature as Gustafsson-Wright et al., (2017) posit that outcome funders do not have established contracting and procurement mechanisms that can make a SIB process easier, as such, negotiations are long and expensive.

Decision-making processes in government are slow. Tshikululu (2019) suggest that any investor wanting to get into a partnership with the government should be aware that processes and decision-making in government departments take long, as such, patience is warranted. There are many layers of bureaucracy that one must jump before a decision is made. For a mechanism like SIBs, these processes result in delays in the negotiations.

On top of that, the OECD (2016) posits that regulatory barriers can hamper SIB implementation. Governments are creatures of habit, and oftentimes they are not easy to change what they are accustomed to doing. For example, government budgeting and expenditure processes are set annually. Governments and their respective departments are pressured to spend existing funds each year, as underspending may result in tighter budgets in the future (Gustafsson-Wright et al., 2017). As public budgeting processes allocate funds from higher levels (National Treasury) to the lower levels (provincial departments, local municipalities), public officials are motivated to spend all the funds and not have to return unspent funds (Intellidex, 2021). Since SIBs are designed to focus on outcomes, which can only be seen after a few years, it becomes difficult for governments to approve such arrangements that span multiple fiscal budgets.

**Participant 11:** *“So actually in [government] departments it's a little bit harder to introduce something new because everything is kind of spoken for and there's less flexibility. And so actually the funding that we ultimately identified from Department of Health didn't come out of their allocation for first thousand days. It came out of some discretionary funding they had to spend on innovation.”*

The IBIF was to be funded from the Department of Health's allocation, which made sense as part of the IBIF had a health component. At the initial conception and conceptualisation of the IBIF, the special purpose vehicle (SPV) created to house the SIBs, the IBI NPC, was supposed to house two SIBs, with the first one focusing on early learning and the other one on the health of pregnant women and infant children (Intellidex, 2021). The latter, the health SIB, however, did not reach the implementation stage. The IBIF still needed funding, but directing the funding to the venture was not as straightforward. Participant 4 describes the funding issue that they, as an NPO faced when needing funding for their programme:

*“Unfortunately, I think it's also a matter of the kind of programme that you have. In early childhood development, conventional funding is based on the understanding that you are a registered preschool, and subsidy funding is for the number of children that you reach. So the funding model for early childhood development was very much on the understanding that you run a formal preschool programme and that there's a per capita subsidy for the number of children that you that you have in your programme. Our programme, which is non centre based, it's a home visiting programme, and I think government departments like the Department of Social Development have a challenge of not having developed alternative models for looking at ECD funding and support”.*

**Participant 15:** *“The Department has a funding policy that takes a while to put together. You know you have to go through a whole consultation process back and forward. We fund along social work posts, so if an organisation has three social workers, then we'll fund the salaries or towards the salaries of this”.*

The above quote from Participant 4 shows how difficult it is for nonconventional programmes to receive funding from the government, as some strict guidelines and rules govern funding. This is also confirmed by Participant 15 who works for a government department. This is why the Foundation for Community Work (FCW), the implementer in the IBIF, struggled to get funding from the Department of Social Development (DSD) as funding was reserved for centre-based organisations, whereas FCW offered home-based services. It is because of this inhibiting funding system that funding for the IBIF did not come from the Department of Health's normal funding for NPOs but rather from a discretionary funding budget that was reserved for innovation.

It is evident that in the absence of a clear regulatory framework to govern mechanisms like SIBs, government departments are constricted. While government systems might not be designed to accommodate SIBs, the lack of a regulatory framework around SIBs is a real challenge. The OECD (2013) suggests the importance of legislation at various levels of SIB implementation to ensure success. The research will delve deeper into this during the discussion under Theme 3.

### Summary of the finding

The research found that a lack of regulatory frameworks was a challenge as it resulted in a lengthy setting up period, which was further compounded by the fact that government decision-making processes were slow. Another challenge posed by the lack of a regulatory framework was the allocation of funds to the SIBs as government systems were not designed to fund projects of this nature.

#### 5.3.2.1.5 Diverse partners with diverging goals

Another key challenge that the research participants identified was the diverging goals that the different stakeholders had when they participated in the SIB mechanism. There were common reasons given by the participants as to why they took part in the SIB. All the participants reported that one of the motivating factors was the need to be a **pioneer**, where participants reported,

**Participant 1:** *“I think we wanted to be part of that initial social impact bond”.*

**Participant 4:** *“Let's try something new and be like a pioneer in South Africa for something like this”.*

For some participants, the motivating factor for joining the SIB was to **test the mechanism** and **learn** from it.

**Participant 5:** *“We found this to be a perfect opportunity, to obviously to learn, and also to see if it will be worthwhile because it's obviously kind of in line with what are doing”.*

**Participant 6:** *“We were about testing the mechanism itself and the benefits that the mechanism could have for government as a funder of social outcomes.”*

**Participant 12:** *“In some ways, everybody who gets involved in this in the beginning wants to learn their own lessons. But I think that we want to create a system for people to be connected so that you can share information and connections.”*

For the investors, in addition to the need to be a pioneer and to test the mechanism, they were also motivated by the need for a **financial return**:

**Participant 7:** *“If you're a social investor, it's not about being zero interest investor right, there is some return that you are looking to have, even if at the most base level you want to preserve capital and so on. But there is some return. So if we are able to prove the case*

*that yes, you're not gonna get private equity returns from this kind of investment, but you can still get viable returns that make the whole adventure viable, may not be lucrative, but it's viable”.*

**Participant 14:** *“On the financial side, It's definitely above 0 right? So it's a rational decision compared to everything else compared to the other alternative investments. The differential wasn't that big”.*

As Sinclair et al., (2021) note, SIBs generate returns for investors when the intervention performs and achieves the desired and predetermined outcomes. In discussing the benefits of SIBs, Carnoy and Marachi (2020) offer the opinion that SIBs are beneficial to all the stakeholders, where the public sector can scale up improvements in services without risking taxpayer funds; investors can make a return on their capital while investing in programmes that contribute to social good. For NPOs, the benefit is access to increased funding to scale up their services. Indeed, this setup is appealing. However, as the stakeholders are motivated by different things, problems are bound to surface. Heinrich (2007), as cited by Tse and Warner (2019), argues that SIBs prioritise data collection for investors and funders over improving service delivery for beneficiaries. This shift in focus subordinates the needs of service users to the interests of other stakeholders within the SIB mechanism. Maier and Meyer (2017) suggest that SIBs align the interests of role players through the attainment of fixed outcomes more than any other form of contracting, but the different role players still retain their interests and preferences.

**Participant 3:** *“Having that diverse grouping of, although like-minded in terms of what we were trying to achieve, they all very much had their own kind of agenda. I don't wanna [say], not in a negative way, but like you know our off-balance sheet funders or investors, I should say, were looking at making a return. So when they came to the table, their position*

was, *'I want to see my money back and I wanna see a return'. Whereas you know, someone else might have had a different view"*.

**Participant 2:** *"So you know, getting everyone aligned on that was quite challenging in itself. And then the contracting and making sure everyone signed, and all the contracts related to each other and spoke to each other, and everyone signed what they needed to sign and the timing of when they signed the contracts and how they came on board"*.

**Participant 4:** *"My take certainly would have been that if donors and funders and Government departments and officials were all speaking the same language and all being supportive and understanding, that the startup wouldn't have had that long period of delays in terms of getting the show on the road"*.

The way a SIB structure is set up, as Gustafsson-Wright et al., (2017) highlight, brings together various stakeholders and requires them to work together in designing and structuring the deal, with them agreeing, among other things, outcomes metrics and thresholds for payment. The IBIF and B4J brought together a range of actors who were interested in improving the life outcomes for children and securing employment for excluded young people, respectively. While the two goals (improved life outcomes and securing employment for young people) brought the stakeholders together, they all came to the arrangement with different motivations. As one investor pointed out, they (the investor's company) are in the business of making money, and they have a fiduciary responsibility to their shareholders. This responsibility trumps all other motivations for being a part of the SIB mechanism.

The inclusion of private investors and private capital into social delivery is a problem that Carnoy and Marachi (2020) identify. The authors argue that the major motivation for investors taking part in a SIB is the profitable return on investment rather than changing the circumstances of the citizenry (social good). They further argue that SIBs turn citizens into commodities, resulting in what they call the ‘financialisation’ and ‘privatisation’ of social and public policy. Sinclair (2013), as cited by Sinclair et al., (2021), defines financialisation as a process by which financial considerations start featuring in previously non-economic areas, altering nonmonetary social relationships into commercial ones. The financialisation of the relationships in social welfare provision, as propounded by Sinclair et al. (2021), commits stakeholders to ‘bottom-line’ delivery and changes what should have been a nurturing and supportive relationship into transactions, with the government’s role changing from social service delivery to a broker of services from the private and third sectors. Fraser et al., (2018) also agree with this contention and add that financialisation through SIBs results in public policy existing to support, stabilise, and expand the economy rather than meeting social needs, where there is the perverse incentivisation of the philanthropic and nonprofit sectors to pursue commercial interests over social interests.

In Chapter 2: *History of Financing for Development*, the research pointed out how SIBs are an extension of neo-liberal theories, as they prioritise private sector values of profit maximisation, and depoliticising social policy, as well as commodifying service users (Albertson et al., (2020); Fraser et al., (2016)). To reconcile incentives for private investors with real social problems, Shields (2013) as cited by Sinclair et al., (2021), argues that SIB models turn complex social problems into measurable performance metrics, which is damaging as this approach treats complex issues as though they were simple.

A linked challenge with the financialisation of social problems is the assertion that SIBs may distract from more meaningful social policy reforms (PPIA, 2014). SIBs fail to consider the systemic issues that result in certain societal problems. SIBs introduce monetary metrics into traditionally social spheres, thereby linking individual value to future financial outcomes (Cooper et al., 2016). The result is that citizens and what is best for them will take a backseat to a ‘good’ financial return. As the PPIA (2014) contends, the profit motive can undermine the potential for social impact in exchange for greater revenue, as private companies can profit from the social good that the government does. Tse and Warner (2018) argue that financialisation marginalises vulnerable populations by neglecting necessary structural reforms. While service users should be central to service delivery, Albertson et al., (2020) highlight their exclusion from SIB development and implementation. The findings of the current study do not suggest that the pursuit of profit impeded the attainment of the SIB targets.

However, SIB proponents counter the inclusion of the private sector by arguing that the private sector has a basic commitment to social responsibility so their inclusion in the mechanism should not be an issue. Intellidex (2021) points to a tension that exists in the research on sustainable investing, where social impact and profit-seeking behaviour are seen as opposing forces. Various studies, as Intellidex suggests, that in the quest for social impact, profit-first investors do not need to forgo or downplay socially responsible investments. In many SIBs, financial performance has been good, with investors getting back their investments, plus interest. The incentive of financial returns is not necessarily a bad thing, as Sinclair et al., (2021) propound, as it brings attention to improving performance and enhances transparency. There is a notion that NPO systems are inefficient, whereas the private sector is efficient. By bringing the private sector into the fold, NPO systems might benefit, resulting in improved performance.

This is in line with Gustafsson-Wright et al., (2017), who put forward that SIBs have encouraged more iterative and adaptive performance management, which has resulted in better outcomes. Rizello and Care (2016) also contend that SIBs are based on the idea that private investors can inject capital into traditionally public activities, resulting in more cost-effective practices in both sectors. In the case of the IBIF and the B4J, the SIBs did result in better outcomes. This will be discussed in greater detail under *Theme 4: SIBs and improved outcomes*.

In South Africa, the inclusion of the private sector in social development is in line with one of the pillars of the Developmental Approach to Social welfare of welfare pluralism. The developmental approach stresses the importance of partnerships in welfare, where, in the pursuit of social development, there should be collaborations between the government, and the voluntary, informal, and commercial sectors (Patel, 2005). Intellidex (2021) notes that South Africa's social welfare policy framework is rooted in welfare pluralism, which is the promotion of social welfare by multiple actors. In this setting, the state takes a lead role in achieving social development goals but recognises that it needs other players for the goals to be achieved. With both the IBIF and B4J, the government took a lead role and garnered the support of other stakeholders, including the private sector.

Considering the above, SIBs could very well expand the private sector's role in welfare provision. The private sector can also assist underfunded nonprofit organisations that are providing much-needed services. Sustainable development can be achieved only through collaboration and collective responsibility.

**Participant 2:** *“We had to say internally just make sure that it everyone is aligned to the goals, that we're trying to do and ultimately, social impact was the goal and not necessarily return on investment. So if you came with that mindset, it either wouldn't have interested you or it would have been a very difficult journey. So we also had at the back end had to say, does this make sense, are they aligned what would be the challenges and are we willing to deal with that”.*

It must be noted that in both the IBIF and B4J, not all the investors were after a market-related return. The SIBs used a blended capital stack, which saw some investors (finance-first social investors) get their investment plus interest, with some investors only getting their capital back. What mattered most was the fact that the stakeholders were brought together by being of similar minds and a need to solve social problems.

#### Summary of the finding

The research found that diverse stakeholders were involved in the SIBs. Even though they were all linked by a desire to effect social change, they all had different motivations for being a part of the mechanism. Despite the different motivations, the role players were able to work together towards a common goal.

#### 5.3.2.1.6 The impact of COVID-19

One of the biggest challenges that both the IBIF and B4J faced was the COVID-19 pandemic. Gustafsson-Wright et al., (2021) highlight how regardless of the contracting and financing structure, COVID-19 disrupted service delivery across all sectors.

**Participant 6:** *“I can say COVID affected just about every single project that we were implementing, right? Because the world and South Africa effectively came to a standstill for 12 months, at least... COVID definitely did have an impact because it decimated the ability of underlying employers or opportunity holders to create jobs for young people to be placed into and that was ultimately the problem”.*

**Participant 13:** *“I think that they obviously had challenges because they weren't able to go into the homes. And I think you know things like that and obviously the employment sector was hugely hit. So that impacted the jobs impact bond”.*

In early 2020, the coronavirus spread across the globe, leading governments to put measures in place to ensure the health and well-being of their citizens. Many countries mandated stay-at-home orders, and businesses had to close, which resulted in unprecedented disruptions in economic activity and dramatic shifts in social service delivery around the world (Gustafsson-Wright et al., 2021). The lockdowns and related stay-at-home orders resulted in a slowing down of activity, with many people being unable to attend school or work, which ultimately hurt economic activity. COVID-19 had a tremendous impact on both SIBs, but its effect was much more on the B4J. Initially set to end in 2022, the B4J was terminated in June 2020 due to the national lockdown that was implemented by the South African government. As Intellidex (2021) noted, the pandemic posed a serious challenge for a SIB that focused on job placements. The B4J aimed to get systemically excluded young South Africans into their first jobs. This was at a time when unemployment in the country was extremely high, with the traditional, input-oriented skilling system not being able to deliver jobs (Intellidex, 2021).

In a 2021 report, the World Bank found that COVID-19 exposed structural weaknesses in the South African job market for young people, as they already faced acute unemployment rates, with twice the incidence of unemployment compared to older age groups.

The B4J took place in two cycles; the first cycle ran between April 2018 and January 2019, with the second cycle set to run between January 2019 and June 2022. During the first cycle, the SIB was able to meet its targets, getting six hundred (600) young people into well-paying, complex jobs. However, the second cycle was cut short due to COVID-19 (Intellidex, 2021). The South African government initiated a national lockdown and stay-at-home directives, which resulted in the closure of businesses, except for those providing essential services (Ngarava et al., 2022). It became impossible for the SIB to continue, given the lockdown and stay-at-home orders, especially considering that the bond focused on job placements. Gustafsson-Wright, Osborne, and Crane (2021) put forward that given the severity of COVID-19 and the related disruptions in life, even projects that might have possibly met their outcomes would have struggled. With businesses being forced to close, the B4J found itself in a difficult position as it could not place young people anywhere. Gustafsson-Wright et al., (2021) also found that for employment-focused SIBs, waves of layoffs and economic uncertainty led to considerable impacts on short and long-term outcome metrics during the pandemic.

**Participant 6:** *“You had SMEs basically at a standstill. Where the financial position deteriorated to such a point, where they could not create employment, right? There was just no way that they could employ people in whatever sector you think of”.*

The IBIF was less affected by COVID-19 as the service provider was able to adapt quickly to the situation that was prevailing at the time. It is important to note that one of the reasons the bond was able to continue was because its services were not dependent on other external factors, like the B4J, which depended on businesses remaining open and being able to absorb young people in search of employment. The IBIF service provider was able to tailor their services and respond to external stimuli (COVID-19). The lockdowns and social distancing measures, as noted by FitzGerald (2022), meant that SIB projects had to rapidly change the delivery of services so that they could deliver the outcomes specified in their contracts.

**Participant 4:** *“[When COVID-19 hit] we shifted to an electronic reporting system. And I think when lockdown happened, the conventional home visiting program stopped, the physical part of the program stopped, but we used a virtual sort of approach where direct support to caregivers and their children was used through the medium of SMS and WhatsApp which meant that contact between home visitors and caregivers, could continue without any serious disruption”.*

Despite the impact of COVID-19, the service provider in the IBIF was able to maintain service delivery through an adaptation of their programme (Intellidex, 2021). Where previously home visitors visited young children and their families in their homes, the programme was modified to allow learning services to continue electronically. Gustafsson-Wright et al., (2021) posit that in addition to adapting services, many impact bonds developed new service delivery components in response to the pandemic. FCW, the service provider in the IBIF had to develop material that could be delivered via WhatsApp and through SMS. It is a component of the programme that they are still using even today, a few years after the first lockdown. *(More on this under Theme 5: How much did the SIBs innovate?)*.

Another resultant effect of COVID-19 on the SIBs was a strengthening of the working relationship between the various stakeholders.

**Participant 13:** *“I mean the one thing that we found is that because of all that hard work and tears and sweat, getting these impact bonds set up the stakeholders involved in them were willing to bend over backwards to try to keep them afloat. So I know I think that there's something to be said for that.”*

In their research on the impact of COVID-19 on impact bonds, Gustafsson-Wright et al., (2021), found that investors were more likely to provide flexibility and support to service providers to protect their investments. It is this extra support that may have contributed to the IBIF staying afloat, despite the pandemic. Speaking specifically on the IBIF, Gustafsson-Wright et al., (2021) noted the close collaboration between the service provider and the intermediaries, particularly around the adaptive management of the programme. Effective performance management ensures that service providers can track and adapt activities to achieve the greatest possible impact (Gustafsson-Wright et al., 2017).

#### Summary of the finding

The research found that COVID-19 impacted on both SIBs. Its impact was more severe on the B4J as the bond sought to place young people into jobs, at a time when lockdown restrictions were in effect. The research also found an unexpected strengthening of the relationships between stakeholders due to COVID-19.

Despite the challenges listed above, the two SIBs were generally successful. The following section will discuss the reasons that the participants gave as indicators of success.

### 5.3.2.2 What worked well (Strengths)

This section will focus on what worked well during the design and implementation of the two SIBs. The key points are targets being met, the repayment of investor funds, and the forging of fruitful partnerships. These will be discussed individually below.

#### 5.3.2.2.1 Targets were met

The research will discuss in greater detail how effective the SIBs were in meeting outcomes under the theme: *SIBs and improved outcomes*. For now, it will give a summary of the targets being met.

**Participant 1:** *“Overall, I think it was a success”.*

**Participant 2:** *“What we did find was that, in terms of the evaluation perspective, being able to come out and say that these people were employed and got their jobs and tick, tick, tick, it all worked out it”.*

**Participant 3:** *“I think our target was 4000 over 4 years. We had already gotten to one and a half thousand after a year and a bit, and we had gone through all of the transactions”.*

The IBIF had three targets that it had to meet for investors to be paid: The recruitment and retention of children annually for three (3) years; the children attending at least 50% of the programme per year; and success against the Early Learning Outcomes Measure (ELOM) test. The SIB managed to meet the first two targets; however, the ELOM target was not met. The B4J ran over two cycles. The first cycle was designed to have a target of six hundred (600) job placements, while the second cycle had a target of five thousand four hundred (5400) job placements.

The first cycle's target was met in full; however, the second cycle's targets were only partially met before the SIB had to be cancelled due to COVID-19. Overall, both SIBs were successful in their implementation, as targets were generally met.

#### 5.3.2.2.2 Investors were repaid

**Participant 1:** *“I mean there is not only one lens to look at success. The outcomes are an obvious measure of success, but another obvious measure of success is that the bondholders are being repaid, when they should be”.*

**Participant 2:** *“And then obviously on the outcomes funding side, making sure that we had raised enough capital, raised enough outcomes funding to repay, the investors so that no one would lose their money”.*

**Participant 3:** *“We had enough funds based on outcome funders that had paid back, to repay all of our investors all of their money and with a return for those that required that... not all of our investors wanted a competitive return. Some of them wanted a lower rate, first line investors; some of them were just capital preservation, others were off balance sheet. But I think what we also wanted to demonstrate was that there is something you can invest in and get a return”.*

Investors in impact bonds, as Gustafsson-Wright et al., (2021) maintain, range from traditional investors who are seeking a market-related financial return to impact investors who seek only social impact. This differentiation of the type of investors in a SIB mechanism is known as a blended capital stack or simply blended finance. The OECD (2016) defines blended finance as a strategic development of public finance for the mobilisation of additional finance towards sustainable development.

A key characteristic of blended finance is combining different classes of investors, such as ‘finance-first’ social impact investors, ‘impact-led’ social investors, and philanthropic grant makers whose only motivation is social good (Moran & Ward-Christie, 2022). Another financing tool that SIBs use is Catalytic First- Loss Capital (CFLC) which is a credit enhancement tool that is used to reduce risk and advance social and environmental objectives (Bouri and Mudaliar, 2014). A key feature of CFLC is that it identifies the party responsible for bearing the first losses, which ultimately improves the project's risk profile (GIIN, 2013). By lowering the risk profile, CFLC catalyses participation from investors who would not normally have participated in a project. CFLC can also be used to demonstrate the commercial viability of investing in a particular market. Bergfeld et al., (2016) submit that most SIBs have layered capital structures that include senior and subordinate investments, where subordinate investors are only repaid after senior investors.

Both the IBIF and B4J used a blended capital stack and CFLC. The Standard Bank Tutuwa Foundation (2023) indicates that the IBIF had both philanthropic and commercial investors who sought market-related returns and philanthropic investors whose only concern was making a social impact. In the B4J, three (3) first loss investors provided CFLC that protected the senior and profit first investors from loss (Intellidex, 2021).

**Participant 2:** *“So making sure that the working capital that we had was blended in terms of those that want good, a higher return, those that wanted just their capital back, and first lost investors et cetera. That helped us then reduce the price of the bond, or [rather] create a price of the outcome that would be of value to the outcomes funder”.*

SIBs provide traditional private investors with new investment possibilities and generate returns if the funded intervention achieves predetermined outcome targets (Sinclair et al., 2021). However, if the targets are unmet, the funders lose their investments. In the case of both the IBIF and B4J, successful service delivery justified the repayment of investors' capital. Both SIBs delivered strong and competitive financial returns while delivering strong and clear social benefits (Intellidex, 2021). Because it performed well as a financial instrument, the IBIF was in August 2023 named the Financial Instrument of the Year at the Krutham Africa Impact Investment Awards. The IBIF, in its run between July 2018 and October 2020, delivered annualised returns of 14% to investors (with the maximum payout being 16%), which was more than the annualised returns of the FTSE/JSE All Bond Index (ALBI) (GOLAB, 2022a; Intellidex, 2021).

**Participant 7:** *“If you're a social investor, it's not about being a zero interest investor right, there is some return that you are looking to have, even if at the most base level you want to preserve capital and so on. But there is some return. So if we are able to prove the case that yes, you're not gonna get private equity returns from this kind of investment but you can still get viable returns that make the whole the whole adventure if you will, viable, may not be lucrative, but it's viable.”*

For investors, the SIBs were worth the investment. For a model that carried a lot of risk and was untested in South Africa, it certainly lived up to expectations. The fact that the SIBs were able to offer competitive returns for investors is also evidence of a proof of concept that the financial model works.

Intellidex (2021) suggests that although knowledge about SIBs and impact investing is still low in South Africa, with a general view that if one is investing for impact, financial returns are subordinate to impact returns, the two SIBs did show that financial returns and impact returns can be at par.

#### 5.3.2.2.3 Forging of fruitful partnerships

In the section on ‘*Challenges with the SIBs*,’ the research highlighted the diverse role players, with diverging interests and motivations as a challenge. However, having different stakeholders was also a good thing, as it resulted in the forging of fruitful and meaningful partnerships.

**Participant 11:** *“They [Intermediaries] worked very closely with FCW, and I think that they learned a lot from each other and it really seemed to have been a very fruitful partnership and in one-on-one relationship building”.*

**Participant 2:** *“We did have some hiccups along the way, but we also had some big lessons in terms of selecting and identifying partners. But yeah, I think those were kind of the key. I think what really helped and made this process really successful is that everyone that came on board, was pretty much like minded and wanted to see a different initiative, something that was innovative. They wanted to be part of something that was gonna change the systemic issues that we've had. And so, as a result, and even when they were challenges, you know, they were ready to come together to solve and figure it out umm together”.*

As Gustafsson-Wright et al., (2021) note, impact bond projects involve a diverse set of stakeholders who work together from design to implementing and evaluating a SIB. In Chapter 2: *History of Financing for Development*, it was highlighted how the Resource Dependence Theory was relevant to understanding SIBs as the theory recognises that no one entity is independent, as all actors contribute specific resources, thus needing each other. SIBs are adept at harnessing diverse stakeholders' resources and expertise to tackle complex social challenges. The way SIBs are set up translates into a collaboration between the public, private, and third sectors, with one goal - solving complex social issues. The OECD (2016) notes that the complexity of partnerships and the combination of partnerships in SIBs is a part of the novelty and innovation the mechanisms bring. The PPIA (2014) observes that the shift to focusing on outcomes and introducing quantitative metrics into nonprofit performance standards improves the effectiveness of SIBs. Intellidex (2021) suggests that typical service delivery targets in the nonprofit sector are blind to the quality of services being provided as the focus is usually on numbers reached. Nonprofit organisations are infamous for not being concerned with quantitative metrics and not focusing much on the impact that they make. By engaging with SIBs and working with partners well-versed in quantitative analyses (the private sector), nonprofit organisations have benefitted tremendously. Bergfeld et al., (2016) posit that by incorporating the private sector into the promotion of social welfare, social programmes stand to benefit from the market-driven efficiencies that profit-making entities are known for. However, SIB critics have countered this point by suggesting that while the private sector excels in profit generation, its ability to deliver efficient and effective social services remains questionable (Sinclair et al., 2014).

In the context of the private sector's role in social service delivery being thought of as a box-ticking exercise, most investors in SIBs have seen the partnerships and working together between stakeholders as the greatest benefit that SIBs have (Intellidex, 2021). Maier and Meyer (2017) argue that a well-designed SIB aligns the interests of government, investors, and service providers around delivering agreed outcomes.

The various stakeholders all contributed to the two SIBs' success. The outcomes funders were willing to try a new concept, marking a change from the way that they normally work. The service providers brought an eagerness and an attitude of wanting to learn.

Below is an extract from one service provider:

*“We [Service provider] pride ourselves in innovation and always looking at reflecting on what we do, what we need to do, and where we want to go. And we found this to be a perfect opportunity to obviously learn, and also to see if it will be worthwhile because it's obviously kind of in line with what are doing”.*

Intellidex (2021) found that the service providers that see participation in a SIB as an opportunity to learn and grow their impact was a precondition for potential service providers. This may explain the willingness that the service provider displayed when there were calls for adapting the programme. The investors were important to this setup as they brought unrestricted funds with which the service providers could run service delivery programmes. One role that most stakeholders in the SIBs pointed out as critical to the SIBs' success was the intermediary who held the mechanism together.

**Participant 12:** *“Another important point is that you need to build trust with stakeholders before you can ask them to be involved in a SIB. If they don't know you from Adam, they're not gonna listen to anything. So I feel like the intermediary role is important because it helps; the intermediary must have the connections, must have the history that people are comfortable with and must already have those trust relationships”.*

**Participant 2:** *“And we even had learning exchanges where we brought our outcome funders as well as our investors around the table to kind of discuss the learnings to discuss what we were having challenges with, to give them an update on the progress So I think that was that something that that really helped. But it's not easy and it's not something that should be taken lightly, but definitely, If you have partners that are signed up for the right reasons and for the same things, and it does become easier to get it over the line and explain why things are changing or why things are shifting or why you know we wanted to test this, but we saw that it wasn't working so we had to iterate and you know, you just have to make sure you choose your partners”.*

**Participant 5:** *“So Mothers2Mothers were kind of seen as responsible for us performing and trying to help us achieve our outcomes. They actually had somebody from their side that used to come in, another M&E specialist and literally sit in the office every week, to check our data, the data cleaning, what's happening, are we on track, all that kind of stuff”.*

As was also discussed earlier in other sections, the intermediaries certainly played a key role in the two SIBs. They were able to leverage their existing relationships to strengthen the SIBs. This is what Participant 12 above alludes to by pointing out that the intermediary is a position based on technical competence and should be occupied by an entity that all stakeholders trust.

Intellidex (2021) also noted that the intermediaries provided valuable oversight and capacity building for service providers, which ultimately resulted in successful service delivery. As Participant 2 pointed out above, the intermediaries arranged regular learning sessions with all stakeholders and encouraged discussions on how the SIBs performed and how to improve service delivery. The intermediaries were able to hold the entire mechanism in their hands, ensuring that it delivered the set results.

#### Summary of the finding

In summary, the research participants viewed the two SIBs as successful. The reasons they gave for this view were that the outcome targets were met, the investors were repaid, and the SIBs allowed for the forging of fruitful partnerships.

#### *5.3.2.3 Overall summary of Theme 2: SIB Challenges and Strengths*

The participants identified several challenges during the design and implementation of the IBIF and B4J. The challenges included a need for more understanding of the model and the high costs associated with setting up the mechanism. The participants also identified the lengthy setup period, having diverse stakeholders, and COVID-19 as the other challenges that impacted the two SIBs. Yet, despite the obstacles, the SIBs met their targets and managed to repay their investors. The SIBs also benefitted from the strong relationships between and among the stakeholders.

#### **5.3.3 Theme 3: SIB legislation**

The third research objective was to appraise the legislation that governed SIBs in South Africa. When asked about the legislation that regulates SIBs, most participants did not know of any legislation.

**Participant 3:** *“I don’t think there is any. Is there legislation, I’m not sure there is. I’m not aware of any legislation, other than your normal contract law, and if you are getting loan financing or whatever, following all of that kind of stuff”*.

**Participant 10:** *“There [is] nothing. I think that's why people are so confused and the like; there's no legislation”*.

It was not surprising that the participants did not know of any legislation or regulations governing SIBs, as there were none. The closest piece of legislation, as identified by the research participants, was the Public Finance Management Act No. 1 (1999), whose objective is *“to secure transparency, accountability, and sound management of the revenue, expenditure, assets, and liabilities of the institutions to which this Act applies”* (PFMA, 1999, pg. 7). The Act, which applies to all government departments, public entities, Constitutional institutions and provincial legislatures seeks to:

- Regulate financial management in the national government.
- Ensure that all revenue, expenditure, assets, and liabilities of that government are managed efficiently and effectively.
- Provide for the responsibilities of persons entrusted with financial management in that government.

The Act meticulously outlines the roles and responsibilities of public finance managers in managing public finance. However, the inclusion of SIBs, which involve public finance, poses a complex challenge. The PFMA does have provisions that apply to SIBs, such as the procurement processes, especially when seeking service providers.

Tshikululu (2019) point out that due to the allocation of government resources towards outcomes funding, the procurement of an implementer must adhere to the rules of an open tender as prescribed by the PFMA.

**Participant 12:** *“The challenge with that is that there is nothing in the Public Finance Management Act that allows for government to be 100% outcomes funder... obviously you're going through different departments within National Treasury and having to get permission, build understanding in each unit, get their Director to sign off on it”.*

To address the challenge of the government directly funding investors, the SIB mechanism employs a special purpose vehicle (SPV), typically registered as a nonprofit company. This structure enables the SPV to receive funds from the government. In the case of the IBIF and B4J, SPVs were established as conduits for funding, namely, the Impact Bond Innovation NPC and BondsForJobs NPC, respectively. Gustafsson-Wright et al., (2017) explain that due to budget constraints and the need to spend funds within a specified period, creating SPVs is a practical solution. The SPV can be allocated upfront capital to fund future outcome payments.

Gustafsson-Wright et al., (2015) strongly advocate for establishing legal conditions that support governments in directing funds to an intermediary in a SIB transaction. These conditions also ensure contract protections for investors, who are crucial in providing capital for impact bonds.

The OECD (2016) underscores the necessity of an enabling legal and policy environment for the growth of the SIB market. They propose that governments can foster such an environment by introducing support for a specific service in a policy framework or a strategy document.

Legislation also indicates the government's capacity and ability to provide a return to investors (Eames and Terranova, 2014). In the absence of a policy framework in South Africa around SIBs, the government must consider one.

Internationally, other governments have demonstrated their commitment to SIBs by developing comprehensive policy frameworks and legislation for exploring, designing, and implementing SIBs (Gustafsson-Wright et al., 2015). For instance, the United Kingdom (UK), which boasts one of the most advanced support systems for SIBs, introduced the Social Investment Tax Relief (SIRT). This initiative offers a variety of income and capital gains tax reliefs to individuals investing in social enterprises that benefit people and communities (Bergfeld et al., 2016). Through the Prime Minister's Office, the UK government established a Centre for Impact Bonds in 2012. This entity's role was to analyse and facilitate the SIB market in the UK. It also launched a £20 million Social Outcomes Fund to foster the growth of the SIB market (Gustafsson-Wright et al., 2015).

In the United States of America (USA), there is the Federal Social Impact Partnerships to Pay for Results Act (SIPPRA) within the Social Security Act, which supports outcomes payments for SIB projects, commissioning feasibility studies, and project evaluations (Carnoy and Marachi, 2020). At its inception, the Act was endowed with US\$100 million for SIB projects. Also, in the USA, there was the Social Innovation Fund under the Corporation for National and Community Services, which ran between 2010 and 2016. The Fund used public and private funds to scale community-based solutions in three priority areas: economic opportunity, healthy futures, and youth development (US government, 2009).

In Australia, the New South Wales government, as Gustafsson-Wright et al., (2015) posit, implemented a Social Impact Investment Policy outlining the steps the government was to take to support the growth of social impact investments. A 2023 Australian Social Impact Investing Taskforce report recommended a significant investment in the country's social impact investing (SII) market. The Taskforce, established by the government, proposed a \$630 million Commonwealth Social Impact Investing Strategy to cultivate a mature and self-supporting SII market within the next decade (SII Taskforce, 2023). This strategy would leverage a combination of public and private funds. The government would contribute \$410 million, while the remaining \$220 million would come from the private sector and philanthropic organisations. This investment aims to unlock greater private capital and create a thriving SII ecosystem in Australia.

It is vital for the growth of the SIB market that barriers be removed. Government support, through policies and legislation, is critical. However, not all research participants supported having a policy or regulatory framework.

**Participant 14:** *“We definitely don't need it, but would it help to have it? Maybe. Maybe yes”.*

**Participant 3:** *“, I don't think there should be law around it, I mean, I'm not sure it's needed. If it's something that enables government to participate in this kind of structure, [maybe]; but again, I'm not really sure you need legislation around it. I mean, in South Africa, we've got different arms of government, so we work with the Jobs Fund, in Cape Town, you know municipal, provinces, that make their own decisions around this, as long as they are still within the PFMA”.*

**Participant 1:** *“I don’t agree with legislative. I don't agree with legislative, because legislative is in all instances, the first way to go. And if you look at some of the other bonds, like your green bonds and your sustainability bonds and so forth. yes, they are listed but to get to get investors on board, first you develop some sort of framework and some disclosures around what that framework will be what is good look like. [There are] specific frameworks like the EQUAL standards. So that's a global standard. So those are good sort of frameworks to put in place around guidance of what good looks like, because they speak about verification, and what verification looks like, and disclosure and transparency and all those important things. And I think that the market around SIBs can learn a lot from that. Not to copy paste, but a similar type of framework that provides guidance around what institutional investors should be looking for, and what those who are coming to market with these instruments need to be taking into account”.*

Some participants believed that SIBs were working as they were and did not need a policy framework within which to operate other than the ones currently in place (the PFMA). For some of these participants, they viewed a policy framework as an obstacle and that it would further complicate an already complex structure.

**Participant 3:** *“Why would you like to have legislation? This is already quite a complex structure, and if you add legislation onto it, you add red tape and bureaucracy to a system that’s already quite onerous. So, I’m not sure that would help the cause”.*

There was a counter to the point that legislation adds complexity. Some participants viewed the complexity as a natural occurrence, an evolution of sorts.

**Participant 14:** *“So here's my view on complicating things, that's called evolution. Evolution is characterised by handling more data. Things become more complicated and if we don't evolve, we stagnate. So unfortunately, I don't see a way around it and I don't think we need to avoid it. We just have to deal with it. It's a reality”.*

There is more benefit to having an ecosystem of policies and regulations governing SIBs. In established markets like the UK, Australia, and USA, SIBs have benefited tremendously from the support that they have received from the government. As the OECD (2016) notes, a conducive ecosystem for SIBs requires an enabling regulatory framework that contributes to the growth and development of SIBs. In the countries where such regulations are found, support for the SIB ecosystem has been given indirectly by creating incentives for investors to be a part of the SIB mechanism which has led to more financing being availed for implementing SIBs.

#### *5.3.3.1 Overall summary of Theme 3: SIB legislation*

The research found that the participants were not aware of legislation governing SIBs, apart from the Public Finance Management Act (PFMA) which was a general legislation around how public finance was managed, and not specific to SIBs. Some participants called for the creation of specific legislation to govern SIBs. In contrast, other participants viewed the creation of the legislation as adding another layer of complexity to a process that is already convoluted. It was then shown how countries with established SIB markets have benefitted from having an ecosystem of legislation.

#### **5.3.4 Theme 4: SIBs and improved outcomes**

The research also sought to explore how SIBs promote improved outcomes. The participants were asked to describe how the IBIF and B4J promoted improved outcomes.

**Participant 3:** *“I think our target was 4000 over 4 years. We had already gotten to one and a half thousand after a year and a bit, and we had gone through all of the transactions. We had gone through a few cycles, withdrawing working capital, delivering outcomes, getting the outcomes verified, and having the outcomes funder getting paid back the funding, and then paying back to the investor”.*

**Participant 6:** *“We placed over 2500 people into opportunities, people who are unemployed. So in that sense, both from a job creation perspective, a cost perspective, a reduced risk perspective from government’s perspective, and a learnings perspective, for me this project has been success”.*

Research shows how, since time immemorial, society has tried to meet and manage needs efficiently. Traditionally, individuals and their families have been responsible for addressing their social problems and meeting their needs. As time passed, the responsibility for meeting needs became more formalised and was abdicated to other people and entities. During the 20th century, the Overseas Development Assistance (ODA) was created, whose goal was the eradication of poverty, particularly in less developed countries (Orliange, 2020). From the 1960s, ODA or foreign aid began to be viewed as an important economic growth factor, and ODA would assist developing countries in social and economic infrastructure and production sectors (Orliange, 2020). However, the influx of foreign aid did not result in economic and social development as was thought.

Gill (2018) maintains that foreign aid, as tracked by the OECD, increased five-fold between the 1960s and the 2010s, yet extreme poverty levels are still high in some countries. Gustafsson et al., (2017) point out that despite the billions of dollars donors spend on official development assistance (ODA) to developing countries, in addition to the money spent by domestic governments on public service, the results of services still need to be guaranteed.

Because of the need for guaranteed results, development practitioners sought financing through mechanisms that could guarantee outcomes. De Witt (2019) suggests that traditional funding mechanisms (grant making, donor aid, etc.) must be revised in addressing complex social issues as they put too much emphasis on inputs rather than on delivering outcomes. One way to ensure that money is better spent is to tie funding to achieving results. In light of this need for better outcomes, SIBs came into being. SIBs provide governments the flexibility and opportunity to impact social issues, with the knowledge that taxpayer money will only be spent when outcomes are met (PPIA, 2014). SIBs allow the focus in development aid to shift from inputs (like numbers of beneficiaries, etc.), and activity checklists to outcomes, which show the impact of interventions (De Witt, 2019). SIBs alter how public resources are deployed to address social issues (Carnoy and Marachi, 2020). It is this focus on outcomes, as Gustafsson-Wright, Osborne, and Massey (2017) point out, that allows service providers to better react and respond to new information to achieve the agreed outcomes.

The research participants pointed to this search for improved outcomes as a motivating factor for participating in the IBIF and B4J:

**Participant 12:** *“So I think we started thinking about how do you drive a paradigm shift in government to not focus on numbers of people, but rather outcomes. Now, this is a bit difficult, obviously because, and sometimes the size of the problem is hidden by current data collection systems. So we thought, look, one of the things that we'd like to do, obviously there's different ways of approaching it. And so certainly one of the ways of approaching it is to say, you know, SIBs or outcomes based contracting, is a different way of trying to get value for money. So it forces you to look at outcomes rather than numbers reached, and it brings it will sort of drive some of the change that the paradigm shift that is necessary”.*

**Participant 13:** *“This innovative financing mechanism is a result of, one, that failure to see the types of social outcomes that we desire, that we desire in our societies and many societies across the world. I think a recognition and acknowledgement that there's a need for more effective use of constrained budgets, whether those be government or other donors or even philanthropy that is contributing funding to address a variety of social issues”.*

Several authors point to how the SIBs' focus on the results of services and the measuring of these results leads to more effective services, as well as knowledge of what works (Intellidex, 2021; Carnoy and Marachi, 2020; Gustafsson-Wright et al., 2017). SIBs, grounded in the Social Development Theory, can play a crucial role in achieving social development goals by prioritising measurable outcomes and efficient resource allocation.

#### 5.3.4.1 Did the SIBs meet targets?

##### **IBIF performance**

The IBIF was launched in 2018 and sought to test the efficacy of home-based early learning models that were offered to young children from low-income families (Standard Bank Tutuwa Foundation, 2023). The SIB had three targets that it was supposed to meet,

1. The recruitment of 1,000 children in the Family in Focus programme, and the retention of these children in the programme over the course of each year (recruitment and retention).
2. Beneficiaries to attend (or receive) at least 50% of the programme over the year, as measured by attendance records.
3. Success against the Early Learning Outcomes Measure (ELOM).

The one thousand children that were to be recruited into the programme were to be comprised of two age groups, the pre-pre-grade R (three- to four-year-olds) and the pre-grade R (four- to five-year-olds), which the recruitment and retention targets applying to both age groups, while the ELOM target was for the latter age group (Intellidex, 2021). The ELOM test was a school readiness test that sought to determine if the programme had equipped the children with the necessary numeracy and literacy capabilities for school. The retention target was to be measured through attendance registers. The first two targets, which comprised recruitment and retention targets, were met as the IBIF managed to deliver services to roughly four thousand children (Standard Bank Tutuwa Foundation, 2023; Intellidex, 2021). The ELOM measurement was, however, missed, although, when assessed, the service provider had achieved learning improvements year after year.

One reason the IBIF missed out on reaching the ELOM measure is that the test was designed for children in centre-based care, where they received a higher frequency of lessons with greater repetition of content (Standard Bank Tutuwa Foundation, 2023). This is something that the service provider also mentioned:

**Participant 5:** *“The measure that they used, the ELOM tool that they used was not designed for out of centre-based programmes. They found that out very quickly as well. So it all had different impacts on what we were doing... We had to take the parent and child from their home where the home visitor would normally visit them in their home, take them out of their place of safety, and move into a new venue, where all of a sudden they have to sit on chairs, sit on tables and they had to get assessed by a person that they have never met before, in a venue that they were comfortable in, where their parents [were] not allowed to be with them”.*

It is not surprising that the ELOM target was not met, as it was ambitious to begin with and had not been widely used before the IBIF (Intellidex, 2021). Notably, this target was the only actual outcome target, as the other two were output targets. What is interesting about the IBIF, despite the time that it took to design the SIB, the service provider was not involved in the setting up of outcomes, which is likely to have resulted in the ELOM measure being missed as service provider input was not obtained.

**Participant 5:** *“I think it would have been better if we were involved from the start, because the kind of stuff that they set up and the ages were not right... So it all had different impacts on what we were doing...there was a workplan that was discussed, there were outcomes that were discussed, and the outcomes also, this is one of the things that we found*

*was quite difficult was because, we were not involved in the setting of what the outcomes were”.*

The service provider's lack of participation in setting the outcomes may very well have resulted in the SIB missing out on complete success. The designers of the ELOM test failed to consider FCW’s model, where they work with children and their caregivers. The test was designed to be given directly to a child in an environment that they were not familiar with.

**Participant 5:** *“Obviously it had a negative impact on what we were trying to do because our Theory of Change speaks to, and it’s built on the premise that we work directly with the caregiver and the parent, right. So the home visits take place with the home visitor in the household, and engaging with the caregiver, explaining to the caregiver what the activities are, what needs to happen and then the caregiver engages with the child in the session. And here we are testing, the ELOM is testing the child directly. So it didn’t even take into consideration the caregiver, and the idea is that when the home visitor leaves, she only goes back only next week again”.*

Service providers need to be involved in setting the outcomes so that they can give their input on whether the set outcomes can be achieved. As Gustafsson-Wright et al., (2017) maintain, it is important to ensure that all stakeholders agree upon outcomes that are measurable and meaningful.

## B4J performance

The B4J was designed and split into two cycles. The first cycle, which ran between April 2018 and January 2019, had a target of six hundred (600) job placements. The second cycle, which was set to run between January 2019 and June 2022, had a target of five thousand four hundred (5400) job placements. In the first cycle, Harambee was the only service provider; in the second cycle, to achieve a larger number of job placements, two additional service providers were brought on board, namely, Explore Data Science Academy and WeThinkCode.

	Year 1	Year 2	Year 3	Year 4
Target job placements	600	1400	2000	2000
Actual job placements	<b>600</b>	<b>1209</b>	-	-

Table 8: B4J targets. Table adapted from Intellidex (2021).

According to Intellidex (2021), for a job to be considered as a job placement, it had to meet the criteria below:

- Jobs also had to belong to one of three sectors: Business Process Services (BPS), Installation, Repair and Maintenance (IRM), and Information and Communication Technology (ICT).
- A contract of at least 12 months, or in the case of the Jobs Fund, 24 months.
- The job candidate had to go through work readiness training before the job placement.
- The person placed had to be a young person aged 18-35 who could reasonably be categorised as economically excluded.

The first cycle target of six hundred (600) job placements was achieved. However, the second cycle was severely affected by COVID-19 (*See section on the Impact of COVID-19*). By the time the B4J was cancelled in June 2020, it had achieved 86.4% of its annual target (1209 actual job placements). Intellidex (2021) reports that the service provider in the B4J (Harambee) managed to meet its Year 1 target three (3) months early. In total, the B4J service providers placed just over a thousand eight hundred (1800) young people into complex, high-paying jobs.

#### *5.3.4.2 To what extent did the SIBs promote improved outcomes?*

Going back to the research objective, “*To appraise the extent to which SIBs promote improved outcomes*”, the research has found that, by and large, SIBs do promote improved outcomes. By meeting the set targets, the SIBs could provide proof of concept. The B4J showed how much it costs to place a young person into a high-paying job. According to Intellidex (2021), the average cost of getting a young person into a job after having gone through Sector Education Training Authority (SETA) learnerships and internships is R286 000, while the average cost of a job for a person who has gone through Vocational training at Technical and Vocational Education and Training (TVET) institutions is R650 000. B4J was able to place young people into jobs at a cost of R73 500. This figure even includes the stipends that were paid to the trainees. It is, therefore, evident that the B4J was efficient at getting people into jobs. They were able to prove that the focus on outcomes, and not activities or inputs works. De Witt (2019) highlights how SIBs reduce the restrictions placed on service providers where they have to follow specific input and activity checklists. This shift in thinking has given service providers the room to experiment and meet targets.

**Participant 6:** *“We’ve seen a 20% reduction in the cost of delivery over the period. Now that is a huge number considering what inflation is. 20% reduction then means, we have not spent a cent, so we’ve actually proven that you can get social outcomes on an output basis pay for what you achieve. We have not spent any money on outcomes that were not achieved. Every cent we spent was based on an output that was achieved, confirmed and attested to by an independent evaluator”.*

**Participant 7:** *“One of the benefits was around proving, in fact, the viability case or investing in this type of social impact. That’s important because I mean we talk about there being very few of these in South Africa. So there are a lot of people who still need to be convinced about the viability, the value and even the return, that you may get from this kind of model or enterprise”.*

However, the research found that not all social challenges can be solved using SIBs.

**Participant 3:** *“I think [outcomes] would have to be very specific, and it’s definitely something that we are supporting. Some of the principles we still do, in terms of outcomes-based deliveries. When we work with other operators, we do use the principles of outcomes-based contracting, but not necessarily with the bond element. So it is something we still work with and we still supporting in other spaces. But ya, it would need to have very specific deliverables, taking everything we have learnt into account.*

**Participant 7:** *“[Let’s] have role clarity in terms of what are you responsible for, what I’m responsible for, define what success is whether it’s outputs or outcomes. Let’s define it beforehand. And let’s agree on the assessment of that success. So what is the methodology that we want to use and that we mutually agree to measure that success?”*

*And let's then agree on the premium that an outcomes funder would then pay those investors for taking that level of risk”.*

**Participant 13:** *“I think it's important to think about where does this make sense? Where does this not? And perhaps it doesn't always make sense, like if there's really not that much value to hack So clearly you shouldn't you be setting up a whole structure to pay for outcomes if paying for inputs is going to get you those outcomes and you know it, right?”*

As was highlighted in the section: *Key considerations when designing SIBs*, SIBs work best when outcomes are clear and verifiable. Liebman (2011) in Sinclair et al., (2021), suggests that SIBs are suitable for conditions with a readily identifiable population, a distinct intervention, and clear criteria for measuring impact. However, not all problems will have clear criteria and outcomes. The ERPS (2014) posits that measuring social outcomes is a herculean task that may result in underestimating or misunderstanding the conditions involved in social problems, resulting in simplistic conclusions being made. It is also quite challenging to identify quantitative and objective outcome metrics, as oftentimes, people measure outputs instead of outcomes, which might result in the outcome funder needing more confidence in the metrics being used (GOLAB, 2023). Participant 7 above suggests that it is crucial that outcomes be defined beforehand, with the method of measuring said outcome also being agreed upon and the government agreeing to pay the premium back to investors, as dictated by the SIB agreement. Failure to do this will result in the mechanism not working.

In Chapter 1, the research pointed out how South Africa struggles with high poverty levels, unemployment, and inequality, among other socio-economic challenges. Many of these challenges were shown to be rooted in the country's history. Given this history, it is not feasible to solve all these challenges with SIBs. As was also highlighted in Chapter 3, one criticism of impact bonds is that they ignore systemic issues underneath societal problems, with few SIBs addressing the root causes of social issues while focusing only on the symptoms (Sinclair et al., 2021; PPIA, 2014). SIBs with high risks will be unlikely to get support from investors, as, according to Carnoy and Marachi (2020), private investors are interested in short-term returns and will avoid SIBs that try to address complex and deeply structural problems at the root of social issues. SIBs may not be appropriate for complex, structural issues. Tse and Warner (2019), believe that the emphasis on meeting outcomes conceals the broader complexity of the SIB model, as targeted interventions conceal entrenched social issues. Authors like Katz et al., (2018) argue that as SIBs focus on individuals as the location to effect change, they unintentionally ignore structural causes. The two SIBs, by focusing on individuals (children and their caregivers in the IBIF and young people in the B4J), fail to recognise the structural challenges that have resulted in the problems those individuals are facing.

Participant 13 above recommends that SIB designers look at the issues that 'make sense' to solve using the SIBs and not set up the whole SIB structure that pays for outcomes when paying for inputs (and/or activities) would be better. For SIBs to be more effective, they must be cognisant of these structural conditions to offer holistic solutions.

#### 5.3.4.3 *How much risk do SIBs carry?*

SIBs are lauded as mechanisms that allow for the testing of innovative and new service delivery models in areas where the government has run out of ideas or lacks a risk-taking appetite (Intellidex, 2021). Carnoy and Marachi (2020) put forward an argument by SIB critics that SIBs are not as risky as reported, especially because investors are a part of setting the criteria for success. The authors argue that service interventions implemented as part of SIBs are rather reliable, with the odds being in favour of outcomes being met. The point above is true for the two SIBs, as the IBIF and B4J outcomes were not as ambitious as they could have been as such, the targets could have been met, particularly in the B4J, had COVID-19 not come into the mix. Intellidex (2021) suggests that the ELOM measurement target was the only ambitious target in the IBIF, but less than 10% of the outcome payments were tied to meeting this target. According to GOLAB (2022a), FCW stood little chance of missing their targets given their extensive track record before the IBIF.

In the B4J, the job placement targets were also not high enough (600 in Year 1, 1400 in Year 2, and 2000 in years 3 and 4), given that the service provider, Harambee, had placed nine hundred and twenty-two (922) young people in jobs the year before the SIB commenced. These targets would likely have also been met had it not been for COVID-19. Intellidex (2021) notes that the outcome funders in both SIBs faced an almost certain schedule of outcome payments, which goes against the principle of risk-sharing propounded by SIB proponents. Critics of SIBs argue that the tendency of impact bonds to invest in interventions that have been pre-tested is a flaw of the mechanism, as it defeats the purpose of shifting operational risk (Gustafsson-Wright et al., 2017).

Sinclair et al., (2021), as well as Carnoy and Marachi (2020), highlight that a look into impact bonds that have been fully implemented shows that almost all SIBs have met their performance metrics, mainly because their interventions have been tried and tested on similar populations before. These bonds carried minimal risk for investors as they relied upon tried and tested policies with a strong evidence base. This is also a point made by Maier and Meyer (2017), who posit that one downside of SIBs is their focus on social interventions whose benefits are already backed by sound evidence at the expense of high-risk programmes.

Investors who are averse to high risks prefer SIBs that are less experimental than those that would carry such risks. Cooper et al., (2016) suggest that the kinds of risks that investors are willing to underwrite are already circumscribed, which is in line with how investors normally operate, where “...[investors] never select a project with highly uncertain outcomes, when other, more certain opportunities exist, with similar expected returns” (pg. 80). Huckfield (2020) agrees with the point above and further notes that there is little risk transfer as most external private investments in SIBs come from trusts and foundations that would have been persuaded by the government rather than private investors. Intellidex (2021) notes that the investor capital that came into the IBIF would have been invested in ECD, even without the SIB. The case was slightly different with the B4J, where approximately half of the investment capital was additional to the sector; that is, without the SIB, the funds would not have ended up in the youth employment sector and would have been invested in other high-return ventures.

If the risk is minimal, then this means that the public sector is borrowing money from private funders, at a premium to finance interventions that have already been shown to work (Carnoy and Marachi, 2020).

If this is the case, it begs the question why there is a need for an intermediary and going through the complex mechanism that is a SIB. This is the same argument that Intellidex (2021) puts across, that if proven interventions are being used, then SIBs are “sure bets” for investors, as they are guaranteed to recoup their investments. Governments could do well to fund these programmes directly and get into a partnership with service providers only. Child et al., (2016) suggest that if SIB interventions are highly successful, the government may well end up paying more than it would have to fund the intervention directly.

On the other hand, it is possible that the chosen outcomes for the IBIF and B4J were relatively easy to meet to build an ecosystem of SIBs in the country and encourage participation in future SIBs. As Participant 12 below suggests, the idea behind their participation was to develop a market for SIBs and outcomes-based contracting.

**Participant 12:** “...so the one [goal] is to sort of develop a focus and ecosystem for outcomes-based contracting”.

Carnoy and Marachi (2020) pose an interesting question worth considering: *Whether private investors, who stand to lose if the performance criteria are not met, will participate in projects that are truly high risk, that serve the most vulnerable groups for whom public funds may be scarce?* The authors further argue that SIBs might just be another way for the private sector to fund relatively low-risk social projects, for private gain. The answer to the question above may determine the uptake of future SIBs by the private sector.

#### 5.3.4.4 Overall summary of Theme 4: SIBs and improved outcomes

The research found that the SIBs resulted in improved outcomes as the targets were mostly met, barring the impact of COVID-19. The research found that the outcome targets may not have been high enough, especially considering that the service providers had been running similar programmes before the SIBs. As a result, the SIBs were not as risky as reported. The research noted that not all social challenges could be addressed using SIBs, as some issues are complex and do not have clear-cut outcomes. Nonetheless, by concentrating on structural issues that can be addressed through performance-based contracts, SIBs can potentially drive significant improvements. The research also found that the targets may have been set low to build a market for SIBs and encourage investors to join the mechanism.

#### 5.3.5 **Theme 5: How much did the SIBs innovate?**

The research also explored how service providers innovated in their service delivery.

**Participant 11:** *“What they did learn and as an organisation was really how to make evidence-based decisions how to track data, how to use data, and how to manage their cohort of home visitors and so on.”*

**Participant 4:** *“The social impact bond project provided us with the opportunity to embrace you know technology and look at the at you know uh, what do you call it? The virtual realities of engaging with the with caregivers and our community in a creative way.”*

One of the benefits of SIBs is the resultant innovation. As was highlighted in Chapter 2: *History of Financing for Development*, SIBs can be viewed from a Social Innovation Theory lens, where, as Albertson et al., (2020) suggest, social innovation can refer to new products and services.

Using that definition, SIBs are a social innovation as they bring new ways of addressing human needs. Bergfeld et al., (2016), and Samel (2016) suggest that SIBs focus on preventative action by focusing on new interventions that may not always have readily available funding but will have a long-lasting impact on society. Dowling and Harvie (2014) maintain that the funds given by investors (who expect a profit) allow service providers to deliver innovative and efficient public service delivery. This point is further corroborated by De Witt (2019) who points out that contracting based on results, is such that governments ignore the process of how services are delivered, which then allows service providers to be much more creative in what they are doing. The effect of this is a much richer environment for collaboration, exploration, and problem-solving. Gustafsson-Wright et al., (2017) posit that by tying payments to outputs, as opposed to inputs and activities, service providers can be flexible and adaptive in their intervention and delivery. Intellidex (2021) makes a point that without the need to track and account for the use of inputs, service providers in SIB arrangements are freed up to experiment and innovate to meet outcomes. Edmiston and Nicholls (2018) further posit that introducing private capital creates the space for service providers to experiment and be innovative as SIBs redistribute the financial risk of non-delivery to investors.

#### *5.3.5.1 How the SIBs innovated*

One of the innovations that happened in the IBIF was that the service provider, with the help of the intermediary, was able to develop a monitoring and evaluation mobile application called CommCare and initiate psychosocial support groups for home visitors. The funds that the service provider received enabled them to design a programme that they wanted without the encumbrance of worrying about costs.

The psychosocial support provided for the home visitors helped them cope with the stresses of the violence and crime that they encounter either at home or in the communities where they work (GOLAB, 2022a).

**Participant 5:** *“So then we obviously kinda changed from doing home visits to a hybrid model and we started sending Whatsapp messages to the caregivers. On our App that we currently have, we can actually see how many parents exactly have devices is one of the things that we look at. It also depends, you know on the device, so that was the one thing. And then the home visiting as well, the messaging system, we built in support calls to the caregivers”.*

**Participant 4:** *“When lockdown happened, the conventional home visiting programme stopped, the physical part of the programme stopped, and we used a virtual sort of approach where direct support to caregivers and their children was used through the medium of SMS and WhatsApp, and which means that contact between home visitors and caregivers, could continue without any without any serious disruption. So I think for us, the social impact bond project provided us with the opportunity to embrace technology and look at the virtual realities of engaging with the caregivers and our community in a creative way. But also, after COVID, it gave us an edge in terms of the support material, the handouts that were generated virtually and shared with the families and caregivers. So yes, looking back, and looking at where we are now, a lot of our work has been made possible, based on what came out of the impact bond project, but also the fact that we could adapt our programme and our field work to now have a hybrid approach where we make use of physical home visits and as well as additional ongoing virtual sharing of sessions*

*and information and messages that continue, that caregivers can continue to access and use and unpack with their children”.*

In the B4J, the service providers could also provide psychosocial training and run boot camps for technical skills for trainees who were struggling. The B4J was also innovative in that, as Khan (2021) suggests, it conducted job matching, where the job fields that the youth were being trained in were designed and tailored in consultation with the employers. In many other youth employment programmes, where the focus is usually on inputs and outcomes, the youth are trained in various job skills and sent out to look for work. This kind of training is usually not in line with the skills for which employers seek employees.

Huckfield (2020) suggests that SIBs offer greater financial stability to nonprofit organisations that deliver services. SIBs allow service providers to obtain large capital upfront. As a result, they can rapidly scale up their services and operations (PPIA, 2014). This is consistent with what the research found regarding the freedom of having upfront capital. Service providers reported that the upfront funds they received through the SIB were like a ‘dream come true’ as they could request anything for the project and would not have to restrict themselves, as is typical with NGO budgets. One service provider reported they “shot themselves in the foot” by requesting too little funds.

**Participant 5:** *“And I think the one opportunity that this gave us was, we could basically put in a wish list, what do you want, what would you need to make this thing work. And obviously we needed the M&E capacity, the M&E specialist we needed; even then, I think, not knowing what the expectation was, and the correct budgeting and stuff was, we actually*

*got wind of what they put in their budgets for the kind of work that they do for Early Childhood, we shot ourselves in both our feet”.*

Instead of having to meet pre-determined deliverables, De Witt (2019) argues that SIBs allow organisations to improve their offering by tailoring their programmes in a way that achieves the desired outcomes. Gustafsson-Wright et al., (2017) also assert how, in addition to improved capacity to handle more data, SIBs have encouraged iterative and adaptive performance management systems, where service providers are better placed to react and respond to new information as they receive it. The authors further add that evaluations of SIBs have shown data's increased role in the nonprofit organisations that deliver services. The introduction of quantitative metrics into nonprofit performance, as suggested by the PPIA (2014), has enhanced the effectiveness of SIB-funded services. The use of data has allowed and encouraged organisations to use data in the making of key strategic decisions.

This is consistent with the research finding as both the IBIF and B4J were able to employ the use of new, extensive monitoring systems that gave them the freedom to rapidly adjust and innovate to achieve results. FCW, the service provider in the IBIF, moved from a paper-based system of tracking and reporting on data to the use of an app that was developed specifically for their organisation. They were also able to recruit a Monitoring and Evaluation consultant to assist them with tracking and managing their data. Given the real-time data that they were receiving, the service provider could alter their service delivery. Receiving upfront funding, as suggested by Sinclair et al., (2021), encourages experimentation and innovative service delivery. Intellidex (2021) highlights how the two SIBs were effective as the service providers and intermediaries used data and achieved the outcome targets that were set during the contracting phase.

**Participant 5:** *“We went from a paper-based system, [to having] App. But I think the one lesson, and the one positive out of this, was our goal after the Impact bond project was always to try and see if we could scale our M&E system. So obviously, we are always looking at quality, and improving what we are doing, providing the quality service”.*

**Participant 4:** *“I think the social impact bond funding provided us with the opportunity to develop an electronic M&E system, provided us with an opportunity to generate the reports in real-time, but the information was much more, credible, much more reliable, and yes, I think the shift from a paper-based reporting to an electronic system is certainly, three years, four years after the social impact bond, certainly something that we are not looking back to. Because I think the social impact bond project made that a reality”.*

The service provider in the IBIF also sees the bond’s ability to create employment opportunities for home visitors at the level that it did as an innovation. This is one underrated innovation of the IBIF: It was able to deliver effective service to young children while at the same time creating job opportunities for hundreds of people. According to GOLAB (2022a), the home visitor programme has been revised to now offer a formal career for home visitors, which enhances their employability.

**Participant 5:** *“The innovation was about trying to create employment opportunities for young people and women in particular. We could look at least 250 people being employed in the program and trained in the program. we could roll employment and job creation with early childhood development without having to have people falling over their feet trying to become registered, you know, as preschools and as preschool programs, but you*

*know we created those opportunities and people were paid a stipend based on the rate provided by the Expanded Public Works program”.*

Intellidex (2021) suggests that these innovations would not have been possible with the SIBs. By coming up with innovative strategies, the SIBs were able to meet most of their targets and, in the process, improve their organisational performance in the longer term. The improved monitoring and evaluation systems that are now in place, as well as the additional support structures for staff, will remain in place and will likely result in the organisation being more effective.

#### 5.3.5.2 Do SIBs really promote innovation?

**Participant 3:** *“I think that where you need such a mechanism, is not necessarily in the spaces where you want to innovate, because innovation requires risk, and that risk is not necessarily what investors are looking for. So if you tested a model, you’ve got proof of concept, you know how to deliver this thing, and you know the pathway, and you know what you are doing, then this works, if it’s not something that you are trying to test and see and there’s things that are undefined or unclear, this may not be the best mechanism for it”.*

Sinclair et al., (2021), however, counter the claim made by SIB proponents that they promote innovation. The authors propound that SIB-funded programmes are not as liberating and innovative as investors (who stand to benefit from a successful bond) and intermediaries who take part in the mechanisms are also involved in setting outcomes, so they would not be willing to sign off on risky projects. In many ways, innovation means risk, which may not be a course of action that investors are willing to take. Carnoy and Marachi (2020), as well as Gustafsson-Wright et al., (2017), support this point and add that it is evident that investors are often unwilling to invest in a model that does not have some evidence behind it.

This is the same argument that Participant 3 above is using, that SIBs are not suited for testing and proving concepts as they work best with tested models. Simply put, those SIBs that are fully innovative, use an untested model and are without a track record are unlikely to get financing.

Some service providers have reported less flexibility in delivering services due to the increased oversight and administrative burden placed on them by hands-on investors. Huckfield (2020) suggests that little innovation takes place in SIBs as the mechanism seeks to increase returns to investors by minimising the risk that they are exposed to. What matters most for investors is the financial return and not the social good; they have very little incentive to finance risky innovative policy experiments. From the points above, it seems the most important stakeholder in a SIB mechanism is the investor, as the whole mechanism is designed to maximise benefits for them. Investors wield significant influence and power, often shaping decision-making to prioritise their financial returns. This would be inappropriate, considering that the most important stakeholder, although often missing from illustrations of the SIB structure, is the beneficiary.

**Participant 13:** *“Yeah. No, I think there's a fine line between proven, and still needs some work, yeah. I think that one sort of aspect is perhaps proven at a small scale but could use some support around scaling up right or scaling to a new population that they may not be as familiar with. And that's something that we've seen. I think that like something experimental. Again, it depends on the risk profile of the investors, but it takes a lot of resources and effort to get these set up and so, I mean, you could just do, you could just run an experiment and see if something works or not? Without having to without having to set up this more complicated structure. That's my view”.*

Participant 13 above suggests that there needs a balance between being experimental (and innovative) and using tested models. The Participant suggests that experimental models can be used for projects at a small scale, with tried and tested models being used for large-scale projects. Perhaps, in burgeoning SIB markets, experimental models should be used for projects at a smaller scale; once the model works, it can then be used on larger-scale projects. The situation with SIBs, as suggested by Albertson et al., (2018) in Huckfield (2020), is that instead of innovating, many SIBs merely amplify their existing programmes, and in some cases, they even replicate existing interventions.

**Participant 5:** *“In our operations, we managed to scale up home visitors to 240 home visitors that we currently have”.*

What Participant 5 above is saying is consistent with the literature on how service providers in SIBs amplify existing services. This point was also made earlier (See section: *How much risks do SIBs carry?*), where service providers reproduce their existing services. Sinclair et al., (2021) further add that there is little evidence that SIBs produce more innovation than conventionally funded services.

#### 5.3.5.3 Challenges with unrestricted financing

It seems that there might be some aversion to giving service providers unrestricted funds.

**Participant 15:** *“Unfortunately, we got problems in our country which causes us to do funny things with money, you know, and telling an organisation, ‘Here’s a million rand, do as you wish, but make sure you achieve outcomes’, it’s extremely dangerous. And we as a department, the only way we get our assurance that the outcome is reached is that we only going to give you funding for programs that you have proven to have produced. That*

*is why we insist that you use social workers. That's why we insist that the programs be accredited, like all our diversion programs, you can't just come with the program. It's got a credit, and that means that program has been tested at some level. And so obviously, a lot of our assurance that the outcome is being reached.*

Earlier in this section, the research highlighted how the unrestricted funds that were provided to service providers in a SIB mechanism encouraged the service providers to innovate. Olson et al., (2022) and Intellidex (2021) point out how without the need to track and account for the use of inputs, service providers in SIB arrangements are freed up to experiment and innovate to meet outcomes. However, this benefit of SIBs seems to be contentious with some participants. As Participant 15 indicates above, South Africa is faced with big challenges that require policymakers to be aware of how and where money is being spent. Any intervention that requires the government to just give money, with no oversight, the participant suggests will not be in line with how the government works. The participant then goes on to explain the kind of programmes that receive government support: Those programmes that have proven successes, those programmes that are accredited, programmes that fund inputs and activities, in other words, more of the old way of doing things.

**Participant 12:** *“I think for us it's about finding funding for that learning. Coz learning takes time, and if you're trying to change on a high level, that's gonna take time, it's gonna cost money; so, and government and others are not always eager. It's nicer to sort of spin all your money on project implementation because you got more to show in a short time; whereas if you are supporting something like this, which is change, it's gonna take a lot longer, you can only show change over a couple of years. So people are not necessarily eager to take the risk themselves, you know, to drive this?”*

Despite the seemingly clear preference for the old order of doing things, input/activity-based funding, some participants believed that the mindset in government will change, with time. Participant 12 suggests that decision-makers in government and other stakeholders still need to learn about SIBs and the benefits that they offer. Such learning, as the respondent suggests, will take time.

#### *5.3.5.4 Overall summary of Theme 5: How much did the SIBs innovate?*

The findings show that the two SIBs did demonstrate some innovation, although some of the innovation (in the case of the IBIF), was because of COVID-19. The service provider in the IBIF was able to modify service delivery during COVID-19 to allow for online delivery of programmes. Had the pandemic not occurred, it is not clear how much innovation would have been made. The service providers in the B4J innovated by providing psychosocial training and running boot camps for technical skills for trainees who were struggling. The research also noted the challenge with unrestricted funds, as some respondents felt that giving funds to an organisation without oversight would be problematic. However, there was a suggestion that it would take time for a new way of doing things to set in.

## **5.4 Overall chapter summary**

This chapter presented, analysed, and discussed the findings from data gathered during the research study. The research found that many key considerations have to be considered, including potential risks before embarking on a SIB mechanism. The data collected also showed how the IBIF and B4J had many challenges including a lengthy setup period and high costs. The findings also revealed how much COVID-19 impacted the implementation of the SIBs.

Despite the many challenges faced by the SIBs, they were successful as outcome targets were reached and investors were paid back their funds. The research findings also highlighted the lack of a legislative policy framework to govern SIBs. This lack of a policy framework was also shown to have many associated challenges. The findings revealed that the SIBs resulted in improved outcomes and in the pursuit of their service delivery targets, they were able to innovate. The next chapter will discuss the conclusions from the research and will make recommendations.

# **CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS**

## **6.1 Introduction**

This research examined the first two Social Impact Bonds (SIBs) that were designed and implemented in South Africa, the Impact Bond Innovation Fund (IBIF) and the Bonds For Jobs (B4J). Using a qualitative research design that made use of face-to-face in-depth interviews, information was obtained from participants, with the collected data shedding light on participants' understanding of SIBs in general and the two case studies, the IBIF and B4J. In this final chapter, the research will summarise the key findings from the study in relation to the research objectives. The chapter will then make recommendations for future studies as well as recommendations for future SIBs. The chapter will also discuss some limitations of the study and will end with the research's significance.

## **6.2 Research aim and objectives**

The research set out to examine the first two SIBs to be designed, implemented and concluded in South Africa. In so doing, the research aimed to find an answer to the question of whether SIBs offered a viable alternative source of funding for the South African government in its goals of advancing social development.

- i. To determine the key considerations when designing an SIB in South Africa.
- ii. To understand the challenges faced by the different role players when implementing an SIB.
- iii. To appraise the legislation that currently governs SIBs in South Africa.
- iv. To appraise the extent to which SIBs promote improved outcomes.
- v. To explore the ways in which service providers are innovating in service delivery.

## **6.3 Key findings that emerged from the study**

### **6.3.1 Key considerations**

Many considerations must be contemplated before a SIB is designed and implemented. These considerations enhance our understanding of the critical factors to be taken into account when designing SIBs. It is vital to consider the risks associated with SIBs. Some of these risks include the performance risk, the model risk, and the financial/disbursement risk. Since SIBs focus on outcomes rather than activities or inputs, a SIB needs to have clear and verifiable outcomes that are agreed upon by all stakeholders. It is equally important for SIBs to be designed in a service area that the government deems a priority. It is also important to consider the government's willingness to participate in a SIB mechanism, as the government is ultimately responsible for paying back the funds. The government must be willing to view the mechanism as a viable alternative to limited resources and spending on programmes with guaranteed results. Another important consideration was the credibility of the intermediary. Intermediaries play an important role in the design and implementation of SIBs as they facilitate the negotiation of agreements (Tshikululu, 2019; Social Finance, 2013) Intermediaries assume a supervisory role on behalf of the investors and outcomes funders, as such, for a SIB to have a greater chance of success, there needs to be a credible and trusted intermediary.

Careful consideration of these key factors will enable designers to create SIBs that are well-positioned for success.

### 6.3.2 Challenges associated with SIBs

It was also shown that the participants in the two bonds faced many challenges in designing and implementing the bonds. During the conceptualisation phase, there was a lack of understanding of the model as it was a new concept for many of the stakeholders. This finding is consistent with other countries that have nascent SIB markets. The study showed how the designing phase took a long time to conclude due to the lengthy negotiations as there was a lot of back and forth between the stakeholders, particularly in terms of agreeing on the outcome metrics and financing models. The research noted the high costs that are associated with SIBs. These transaction costs, which include payments given to service providers to implement programmes, intermediary fees, legal fees, as well as fees for evaluators and auditors for the services that they render in the mechanism have resulted in the total cost of the SIBs being high. However, Gustafsson-Wright and Osborne (2020) argue that with the impact bond market evolving, there is a possibility that these costs can be reduced with time.

Having diverse stakeholders was noted as a challenge as the stakeholders all had different motivations for taking part in the SIBs. Maier and Meyer (2017) suggest that since SIBs align the interests of role players through the attainment of fixed outcomes more than any other form of contracting, the different role players may still retain their interests and preferences. However, in both SIBs, the differences between the role players also made the cooperation between them stronger. The research also highlighted a lack of regulatory frameworks to govern SIBs as another major challenge, as well as COVID-19, which resulted in one of the bonds being terminated prematurely.

#### 6.3.2.1 *What worked well*

Despite the challenges, findings from the study suggest that some things worked well in both bonds. Both the IBIF and B4J generally met their targets, and the investors were paid a good return. The investors in the SIBs were only paid a return on their investments once the funded interventions had achieved the predetermined outcome targets. The research also noted that the SIBs resulted in good working relationships between the stakeholders. Through collaborative partnerships and resource sharing, SIBs showcase the practical application of Resource Dependence Theory in tackling social issues.

#### 6.3.3 SIB legislation

It was evidenced that there currently is no legislation on SIBs in South Africa as the research participants were not able to identify SIB-specific legislation and/or regulatory frameworks. While some legislation in the form of the Public Finance Management Act No. 1 (1999) exists, it was observed to be inadequate in guiding how SIBs operated in the country. Some research participants were not convinced about the need for regulatory frameworks, the OECD (2016) suggests that for the SIB market to grow, special attention needs to be paid to the importance of an enabling legal and policy environment that governments can create by introducing support for a particular service in a policy framework or a strategy document. It was shown how countries with developed SIB markets have a conducive policy framework ecosystem for SIBs. In the United States of America (USA), for example, the government enacted the Federal Social Impact Partnerships to Pay for Results Act (SIPPRRA), which supports outcomes payments for SIB projects (Carnoy and Marachi, 2020). The findings of this research support the idea that for the SIB market in South Africa to grow, it would benefit immensely from the establishment of an enabling regulatory environment.

However, some participants were of the opinion that SIB-specific legislation was not necessary as they believed that SIBs were working well as they were and did not need a policy framework within which to operate, other than the ones currently in place, namely, the Public Finance Management Act (PFMA).

#### 6.3.4 Improved outcomes

The research found that the IBIF and B4J resulted in improved outcomes. Despite the challenges the bonds faced, they were generally able to meet their targets. Given that the Social Development Theory places paramount importance on achieving tangible results, SIBs' outcome-oriented approach is entirely consistent with this framework. It was noted, however, that the outcome targets in the bonds may not have been high enough, meaning the interventions carried less risk. Authors like Huchfield (2020) and Carnoy and Marachi (2020) point out that research on the impact bonds fully implemented shows that almost all SIBs have met their performance metrics, mainly because their interventions have been tried and tested on similar populations before. This was seen to be the case with the IBIF and B4J, as the service providers in the mechanisms had previously implemented similar programmes. The result of using pretested models is less risk for investors. This might have been a strategy used by the designers of the IBIF and B4J to encourage participation in a new mechanism by the different stakeholders, particularly the investors. The research also found that not all problems can benefit from a SIB intervention, as some challenges are complex and might not have clear outcomes. To maximise their impact, SIBs should focus on structural problems that can be addressed through performance-based contracts.

### 6.3.5 Innovation

It was noted that both the IBIF and B4J innovated in their service delivery. The innovative nature of SIBs is unsurprising, as they are explicitly grounded in the Social Innovation Theory, which champions novel solutions to societal problems. The IBIF developed a monitoring and evaluation mobile application and initiated psychosocial support groups for home visitors. The B4J tailored its job training to the needs of employers and was able to provide psychosocial training and run boot camps for technical skills for trainees who were struggling. The research also showed how the SIBs resulted in the creation and use of robust monitoring and evaluation systems by the service providers, which allowed them to get real-time data and adjust their programmes as and when it was needed. While COVID-19 had a role in some of the resultant innovations, it was acknowledged that these interventions would not have been possible without the SIB mechanism.

## **6.4 Recommendations**

The recommendations formulated from this study will be discussed under two main headings, that is, recommendations for future SIBs and recommendations for further research.

### 6.4.1 Recommendations for future SIBs

#### 6.4.1.1 Recommendations for the South African government

##### i. Creating an enabling policy ecosystem

The findings suggest several courses of action for the South African government. While the findings from this research show that not all challenges can be solved with SIBs, the research has shown that they can go a long way in addressing some of the challenges the country faces, and so the South African government should consider them as an alternative funding source for development.

The researcher recommends that the South African government, in addition to the other interventions that it has, adopts an outcomes-based approach in the delivery of social development services and consider creating a regulatory framework on SIBs that will encourage the exploration, design, and implementation of SIBs. Countries like the USA, Australia, and the UK, which have established SIB markets, have benefitted immensely from having regulatory frameworks, which have been used as a conduit for the financing of SIBs.

One such enabling policy environment that the researcher recommends is the creation of a Social Impact Bond Act that would work in conjunction with both the Social Assistance Act No. 13 (2004) and the Public Finance Management Act No. 1 (1999), where the proposed amendment Act would seek to leverage private sector finance and innovation to address social challenges. Broadly, the Act could seek to:

- Encourage investors to participate in social impact projects given the potential financial benefits.
- Improve service delivery through the promotion of evidence-based interventions.
- Promote innovative interventions that would improve the lives of marginalised communities.

By creating an enabling policy ecosystem, the government would demonstrate its commitment to SIBs and outcome payment mechanisms and change how it normally operates—a pledge to focus on outcomes and impact.

#### ii. Creating an outcomes fund

Given the critical role of South African NGOs in development and their persistent funding constraints, the researcher further recommends that the South African government create a pool of funds that will be used to finance the exploration, design, and implementation of SIBs.

The outcomes fund could be created by passing the recommended Social Impact Bond Act, as above, and will use NGOs as service providers. The fund should be drawn down by SIB projects that are in line with the South African government's National Development Plan (2012), as well as SDG (2030) goals and the AU Agenda 2063 targets. Meeting development goals such as the ones espoused in the NDP requires an innovative funding model like SIBs, as they have the potential to revolutionise development financing by leveraging the private sector's growth capacity.

Gustafsson-Wright et al., (2017) call for a global investment pool that pools together the resources of impact investors interested in development outcomes. This would reduce transaction costs and increase the scale of investments. The South African government could create a national pool, contribute some funds to this pool, and encourage private investors to do the same. As the NDP calls for multiparty collaboration in the country's development, SIBs would be the vehicle for fostering and increasing partnerships between the government, civil society, and other partners.

#### *6.4.1.2 Recommendations for SIB designers and implementers*

- i. Use lessons from previous bonds to refine the process better.

The findings of this study have several important practical implications for future SIBs. The researcher recommends that more SIBs be designed in different areas, such as poverty reduction, health, youth employment, education, and homelessness, among many other areas. As more SIBs are designed, more evidence of the efficacy of the mechanism could be gathered. Gustafsson-Wright et al., (2017) suggest that for bonds to be considered in the future, there is a need for evidence, as they need to demonstrate that results will be achieved and that investors will get their returns. In addition to more evidence, the designers of future bonds should consider lessons from the forerunner SIBs in the country.

There is a need to incorporate learnings from previous bonds that would lead to a refinement of the design and implementation process. One of the biggest challenges with SIBs is the length of time that it takes to design them. This was mainly because most stakeholders adopted a ‘learning-by-doing’ approach as there was no precedent. With the designing, implementation, and concluding of the IBIF and B4J, there is now precedence on what works and what does not, and how the SIB design process can be streamlined.

Knowing these factors is crucial for future SIBs as ‘best practices’ can now be defined. Bergfeld et al., (2016) posit that it is only through trial and error and the dissemination of knowledge that best practices for designing and implementing SIB are known. The first bonds in South Africa have provided many lessons for future SIB designers and implementers to heed. The research calls for those stakeholders who have been involved in designing and implementing SIBs to be willing to share their experiences and be active participants when calls for research on SIBs are made.

ii. Embracing smart contracts

Another important practical implication is that SIB designers and implementers should consider adopting smart contracts when conceptualising SIBs. Smart contracts can result in cost savings, accuracy, and efficiency as processes are automated. Smart contracts have numerous advantages:

1. **Savings.** One advantage of smart contracts is their ability to result in savings. Using smart contracts, the time and money spent waiting for and paying middlemen to process transactions may be eliminated (Taherdoost, 2023). Smart contracts result in automation, particularly automating administrative and financial processes. One of the major challenges with how SIBs are currently designed is that they take too long to set up and have high costs.

Automating certain processes will drastically reduce the time it takes to set up a SIB. There might also be savings by negating the usefulness or need for an intermediary to manage the SIB. Taherdoost (2023) posits that with smart contracts, there is no need for middlemen, as participants can exchange encrypted records of transactions. The high transaction costs, which include intermediary fees, legal fees, as well as fees for evaluators and auditors may be rendered moot, resulting in a significant drop in the cost of implementing SIBs. Smart contracts may be a cost-effective solution.

2. **Accuracy and efficiency.** Smart contracts can result in accuracy and efficiency as processes are automated. When a condition is satisfied, the contract is immediately executed (Taherdoost, 2023; Bowmans, 2018). As processes in a smart contract can be automated, as soon as predefined social outcomes are met, payments can be made to stakeholders in a SIB. There would not be a need for an outcomes evaluator or auditor to verify results. As smart contracts maintain an unassailable record of transactions, they are the best tool for conducting audits and reviews of how SIBs perform. Service providers would not be able to inflate outcomes as all data related to outcomes would be stored transparently on the blockchain. Taherdoost (2023) suggests that by using smart contracts, there would not be a concern that information has been tampered with or that data has been incorrectly captured. This transparency can result in trust among the various stakeholders. Outcomes funders are assured that they are paying for the real outcomes, and investors have confidence that in the event of them not fully realising returns, they are assured that the process was above board.

While smart contracts might provide a solution to some of the current inefficiencies plaguing SIBs, it must be acknowledged that there might also be challenges with deploying such advanced technology.

Carnoy and Marachi (2020) suggest that using integrated systems that produce immutable and ineradicable data is poised to do more harm than good. There are also major implications, including the need for reliable data, legal considerations, and the need for the technical expertise required to develop smart contracts.

#### 6.4.2 Recommendations for further research

- i. This research adopted a qualitative approach and a case study methodology to examine the IBIF and B4J. The sample was limited to two SIBs and consisted of fifteen actual respondents. It is recommended that future research be undertaken with more participating organisations and individual participants. It is also recommended that further comparative research be undertaken that could assess and compare SIBs in South Africa to other countries, both developed and developing. The SIBs under assessment can be in the same area of intervention, for example, a comparison of employment SIBs. Future research should consider employing a quantitative research design or mixed methods to enrich the data obtained.
- ii. This research briefly touched on SIBs and additionality, that is, the SIB mechanisms brought additional funding to the development sector. The research recommends a more in-depth quantitative study that focuses on this additionality.
- iii. The research also questioned whether private investors, who stand to lose if the performance criteria are not met, would still participate in truly high-risk projects. Further investigation is needed to determine investors' appetite for such risky projects.

## **6.5 Limitations of the study**

Several caveats need to be noted regarding the present study. Firstly, this study adopted a qualitative approach and focused specifically on a limited sample of the people involved in the design and implementation of the IBIF and B4J. As was highlighted in Chapter Four, the Methodology, when the researcher planned the study and the interviews, the intention was to interview at least twenty (20) individuals, comprised of people who had taken part in designing and/or implementing the SIBs, as well as experts in the field. The researcher contacted nearly thirty (30) organisations that had taken part in the SIBs, with few responding to the initial contact. Fewer organisations eventually committed to participating in the research process; most of the organisations that were contacted did not respond to the call to participate.

Some of the organisations that did respond stated that they were too busy to provide any person(s) for the interview, while others stated, surprisingly, that they did not know about the SIBs or that the person(s) that were involved in the ‘project’ had left the organisation; ultimately, the researcher was able to conduct interviews with a total of fifteen (15) individuals. Given the small sample in this research, the results cannot be generalised to the rest of the population. It is possible that the research would have benefited even more and yielded additional insight from additional participants; the information that the participants who took part in the research provided was sufficient to give a detailed overview of how the two SIBs fared. To compensate for the ‘missing’ information, the researcher triangulated information from the interviews that were conducted as well as with other reports on the SIBs, particularly the Intellidex (2021) reports, which then enhanced the research’s trustworthiness.

Another limitation of this research is the research design. Qualitative research is highly subjective, relying heavily on the researcher's interpretation and not so much on the actual empirical facts, significantly impacting the research's reliability and validity (Babbie and Mouton, 2001). There was a possibility that the researcher could misinterpret information or overlook important information that could be crucial in understanding the research problem. The researcher did his best, as also highlighted above, to triangulate the data by considering the interviews as well as secondary sources of data on the SIBs to make some definitive findings.

The research focused exclusively on the views of those individuals involved in designing and implementing the SIB programmes and excluded the voices of the beneficiaries of the programmes. The latter group could offer different views on SIB programmes.

## **6.6 Concluding statement**

The findings from this study have shown that the SIBs can provide an alternative funding source for South Africa's development challenges. While SIBs may not necessarily be the panacea to the country's challenges, the South African government should consider them part of its arsenal in combatting social development challenges. Like every venture, some risks and challenges are associated with the mechanism. Understanding these risks and challenges is crucial for designing successful SIBs. While SIBs are a complicated structure, they have been shown to work and would do well with government support. The onus is on the government to create an enabling environment for them to flourish.

## References

- Abdullah, F.; Naledi, T.; Nettleship, E.; Davids, E.L.; Van Leeuw, L.; Shangase, S.; Ramburuth, M.; Majola, N.; Dudley, L.; Nyirenda, M.; Mathews, C.; Kredon, T.; Kinghorn, A.; Gray, G.; de Witt, S. (2019). First social impact bond for the SAMRC: A novel financing strategy to address the health and social challenges facing adolescent girls and young women in South Africa. *SAMJ Research*, 11 (109), pp. 57-62. [Online] <http://www.samj.org.za/index.php/samj/article/view/12799> [As accessed on 15/11/23].
- Akinyode, B. F., & Khan, T. H. (2018). Step by step approach for qualitative data analysis. *International Journal of Built Environment and Sustainability*, 5(3). [Online] [https://www.researchgate.net/publication/328632911\\_Step\\_by\\_step\\_approach\\_for\\_qualitative\\_data\\_analysis](https://www.researchgate.net/publication/328632911_Step_by_step_approach_for_qualitative_data_analysis) [As accessed on 22/09/23].
- African Development Bank Group (ADB). (2017). Bank Group Policy on Results-Based Financing. [Online] [https://www.afdb.org/sites/default/files/documents/policy-documents/bank\\_group\\_policy\\_on\\_results-based\\_financing.pdf](https://www.afdb.org/sites/default/files/documents/policy-documents/bank_group_policy_on_results-based_financing.pdf) [As accessed on 16/11/23].
- African National Congress (ANC). (1997). Growth, Employment and Redistribution: Understanding the Government's new economic strategy. [Online]. <https://www.anc1912.org.za/wp-content/uploads/2021/07/Umrabulo-Issue-2-2nd-Quarter-1997.pdf> [As accessed on 20/12/23].
- African Union (AU). (2015). Agenda 2063: The Africa we want. [Online] <https://au.int/en/agenda2063/overview> [As accessed on 20/12/23].
- Aime, R. H. (2010). Assessing the developmental role of foreign aid in developing countries: A special reference to the role of Japan's aid in far East Asia. V.R.F series No. 463, Institute of Developing Economies, Japan External Trade Organization.
- Albertson, K., Fox, C, O'Leary, C., Painter, G., (2020) 'Towards a Theoretical Framework for Social Impact Bonds', Nonprofit Policy Forum, <https://doi.org/10.1515/npf-2019-0056>
- Anfara, V. A., & Mertz, N. T. (2015). *Theoretical Frameworks in Qualitative Research* (2nd ed.). SAGE.

Ante, L. (2021). Smart contracts on the blockchain – A bibliometric analysis and review, *Telematics and Informatics*, Volume 57, 2021. [Online]. <https://www.sciencedirect.com/science/article/abs/pii/S0736585320301787> [As accessed on 20/12/23].

Arifin, S.R. (2018). Ethical considerations in Qualitative study. *International Journal of Care Scholars* 1(2) [Online] DOI:10.31436/ijcs.v1i2.82 [As accessed on 10/10/23].

Azemati, H.; Belinsky, M.; Liebman, J.; Sellman, A.; Wyse, A. (2013). *Social Impact Bonds: Lessons Learned So Far*. Community Development Investment Review.

Babbie, E. and Mouton, J. (2001). *The practice of social research*. (South Africa edition). Cape Town: Oxford University Press.

Bauer, P. T. (1976). *Dissent on Development*. Revised ed. Cambridge, Mass.: Harvard University Press.

Baxter, P; Jack, S. (2008). Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers. *The Qualitative Report* Volume 13 Number 4 December 2008 544-559. [Online] <http://www.nova.edu/ssss/QR/QR13-4/baxter.pdf> [As accessed on 10/10/23].

Bergfeld, N.; Klausner, D.; Samel, M. (2016). *Improving Social Impact Bonds: Assessing Alternative Financial Models to Scale Pay-for-Success*. M-RCBG Associate Working Paper Series | No. 65.

Bertha Centre. (2018). *ECD Social Impact Bond Innovation Fund (IBIF)*. [Online] <https://gsbberthacentre.uct.ac.za/catalysing/early-childhood-development-social-impact-bond-innovation-fund-ibif/> [As accessed on 30/09/23].

Bhandari, P. (2021). *Ethical Considerations in Research/Types and Examples*. [Online] <https://www.scribbr.com/methodology/research-ethics> [As accessed on 10/10/23].

Bickman, L., & Rog, D. J. (Eds.). (1998). *Handbook of applied social research methods*. Sage Publications, Inc.

Brinkerhoff, J.M.; Smith, S.C.; Teegen, H. (2007). *NGOs and the Millennium Development Goals: citizen action to reduce poverty*. New York, NY [u.a.]: Palgrave Macmillan.

Browne, S. (1997). "The Marshall Plan and Early Bilateral Aid" (in) History of the U.S. Economy since World War II; Vatter, Harold and Walker, John (editors) Armonk.

Bordo, M.D. (1993). The Bretton Woods international monetary system: A historical overview. In *A Retrospective on the Bretton Woods System*. Chicago and London: The University of Chicago Press.

Bouri, A.; Mudaliar, A. (2014). Leveraging Impact with Catalytic First-Loss Capital. *Responsive Philanthropy*.

Bowmans. (2018). SMART CONTRACTS: What are they and how do they work? [Online] [https://bowmanslaw.com/wp-content/uploads/2018/09/Unscrambling-Blockchain\\_Session-2\\_Smart-Contracts.pdf](https://bowmanslaw.com/wp-content/uploads/2018/09/Unscrambling-Blockchain_Session-2_Smart-Contracts.pdf) [As accessed on 20/12/23].

Business Day. (2022). SA will not meet NDP goals by 2030, says ANC. [Online] [https://www.businesslive.co.za/bd/national/2022-05-30-sa-will-not-meet-ndp-goals-by-2030-says-anc/#google\\_vignette](https://www.businesslive.co.za/bd/national/2022-05-30-sa-will-not-meet-ndp-goals-by-2030-says-anc/#google_vignette) [As accessed on 21/12/23].

Butler, D.; Bloom, D.; Rudd, T. (2013). "Using Social Impact Bonds to Spur Innovation, Knowledge-Building, and Accountability." *Community Development Investment Review* 9, 1: 53-58.

Carbonnier, G. (2010). Official development assistance once more under fire from critics. *International Development Policy*. [Online] [https://www.researchgate.net/profile/Gilles-Carbonnier/publication/42363967\\_Official\\_development\\_assistance\\_once\\_more\\_under\\_fire\\_from\\_critics/links/5979d7d64585154d23c01083/Official-development-assistance-once-more-under-fire-from-critics.pdf?origin=publication\\_detail&tp=eyJjb250ZXh0Ijp7ImZpcnN0UGFnZSI6InB1Ym xpY2F0aW9uIiwicGFnZSI6InB1Ym xpY2F0aW9uRG93bmxvYWQiLCJwcmV2aW91c1Bh Z2UuOiJwdWJsaWNhdGlubiJ9fQ](https://www.researchgate.net/profile/Gilles-Carbonnier/publication/42363967_Official_development_assistance_once_more_under_fire_from_critics/links/5979d7d64585154d23c01083/Official-development-assistance-once-more-under-fire-from-critics.pdf?origin=publication_detail&tp=eyJjb250ZXh0Ijp7ImZpcnN0UGFnZSI6InB1Ym xpY2F0aW9uIiwicGFnZSI6InB1Ym xpY2F0aW9uRG93bmxvYWQiLCJwcmV2aW91c1Bh Z2UuOiJwdWJsaWNhdGlubiJ9fQ) [As accessed on 20/09/21].

Carnoy, M.; Marachi, R. (2020). Investing for "Impact" or Investing for Profit? Social Impact Bonds, Pay for Success, and the Next Wave of Privatization of Social Services and Education. [Online] <https://files.eric.ed.gov/fulltext/ED605809.pdf> [As accessed on 10/10/23].

Casciaro, T; Piskorski, M.J. (2005). Power Imbalance, Mutual Dependence, and Constraint Absorption: A Closer Look at Resource Dependence Theory. *Administrative Science Quarterly*, 50 (2005): 167–199 [Online] [http://www.iot.ntnu.no/innovation/norsi-pims-courses/harrison/Casciaro%20&%20Piskorski%20\(2005\).PDF](http://www.iot.ntnu.no/innovation/norsi-pims-courses/harrison/Casciaro%20&%20Piskorski%20(2005).PDF) [As accessed on 03/08/24].

Catherwood, C. (2014). *World War II: A Beginner's Guide*. Oneworld Publications.

Center of Military History. (1992). A brief history of the U.S. Army in World War 2. [Online] [https://history.army.mil/html/books/072/72-2/CMH\\_Pub\\_72-2.pdf](https://history.army.mil/html/books/072/72-2/CMH_Pub_72-2.pdf) [As accessed on 15/09/21].

Chavalala, K.I. (2016) *Perspectives of Social Workers in Implementing the Developmental Social Welfare Approach in the Department of Social Development in Mopani District Limpopo*. Pretoria, South Africa: University of Pretoria.

Chenery, H.B.; Strout, A.M. (1966). Foreign Assistance and Economic Development. *American Economic Review*, 56, 679-733.

Child, C.; Gibbs, B.G.; Rowley, K.J. (2016). Paying for success: An appraisal of social impact bonds. *Global Economics and Management Review* Vol. 21. Issue 1 - 2. pages 36-45. [Online] <https://www.elsevier.es/en-revista-global-economics-management-review-386-articulo-paying-for-success-an-appraisal-S2340154017300014>. [As accessed on 10/10/23].

Clarke, L.; Chalkidou, K.; Nemzoff, C. (2018). Development Impact Bonds Targeting Health Outcomes. [Online] <https://www.cgdev.org/publication/development-impact-bonds-targeting-health-outcomes> [As accessed on 16-01-20].

Cleeve, E.; Ndhlovu, T. (2004). Introduction: Strategies for meeting the Millennium Development Goals in Africa *International Journal of Social Economics*, Emerald Group Publishing Limited, vol. 31(1/2), pages 9-11. [Online] <https://doi.org/10.1108/03068290410515385> [As accessed on 14/08/21].

Code for Responsible Investing in South Africa (CRISA). (2011). *CRISA at a glance*. [Online] <https://www.crisa2.co.za/about/> [As accessed on 23/03/24].

Creswell, J.W. (1998). *Research design: Qualitative, quantitative, and mixed methods Approaches* (2nd Ed.). Thousand Oaks, CA: Sage.

Coffey, A.; Atkinson, P. (1996). *Making Sense of Qualitative Data, Complementary Research Strategies*. London, Thousand Oaks, CA and New Delhi: Sage Publications.

Cohen, L.; Manion, L.; Morrison, K. (2007). *Research Methods in Education* (6th ed.). London and New York, NY: Routledge Falmer.

Cooper, C., C. Graham, and D. Himick. (2016). "Social Impact Bonds: The Securitization of the Homeless." *Accounting, Organizations and Society* 55: 63–82. doi:<https://doi.org/10.1016/j.aos.2016.10.003>.

Corbetta, P. (2003) *Social Research: Theory Methods and Techniques*. SAGE Publications Ltd., London.

Cummins I. (2018). Social work in the era of neoliberalism and austerity. In: *Poverty, Inequality and Social Work: The Impact of Neoliberalism and Austerity Politics on Welfare Provision*. Bristol University Press; 2018:5-34.

Dafe, Florence & Volz, Ulrich, 2015. "Financing global development: The role of central banks," Briefing Papers 8/2015, German Institute of Development and Sustainability (IDOS).

Dammasch, S. (2006). *The System of Bretton Woods. A Lesson from History*. [Online] <http://www.hiddenmysteries.org/> [As accessed on 15/09/21].

Dandala, Z.G. (2015). *Exploration of Social Impact Bonds to fund development in South Africa*. Masters dissertation. University of Pretoria.

Delke, V. (2015). *The Resource Dependence Theory: Assessment and Evaluation as a Contributing Theory for Supply Management*. Student thesis. [Online] <https://essay.utwente.nl/67470/> [As accessed on 03/08/24].

Deloitte. (2014). *Advancing environmental, social, and governance investing: A holistic approach for investment management firms*. A report from the Deloitte Center for Financial Services. [Online] [https://www2.deloitte.com/content/dam/insights/us/articles/5073\\_Advancing-ESG-investing/DI\\_Advancing-ESG-investing\\_UK.pdf](https://www2.deloitte.com/content/dam/insights/us/articles/5073_Advancing-ESG-investing/DI_Advancing-ESG-investing_UK.pdf) [As accessed on 30/11/21].

Denzin, N.K.; Lincoln, Y.S. (2000). *Handbook of Qualitative Research* (2<sup>nd</sup> Ed). Sage, Thousand Oaks, 2000.

Department of Social Development (DSD). (2011). *Framework For Social Welfare Services*. [Online] [https://www.westerncape.gov.za/assets/departments/social-development/framework\\_for\\_social\\_welfare\\_services\\_2011.pdf](https://www.westerncape.gov.za/assets/departments/social-development/framework_for_social_welfare_services_2011.pdf) [As accessed on 25/09/2021].

De Jong, E.; Vijge, M.J. (2021). From Millennium to Sustainable Development Goals: Evolving discourses and their reflection in policy coherence for development. *Earth System Governance*, Vol 7. [Online] [www.sciencedirect.com/science/article/pii/S258981162030045X](http://www.sciencedirect.com/science/article/pii/S258981162030045X) [As accessed on 15/10/23].

De Vos, A., Strydom, H., Fouche, C. and Delport, C. (2011) *Research at Grass Roots: For Social Sciences and Human Services Professions*. Van Schaik Publishers, Pretoria.

De Vos, A. S.; Strydom, H.; Fouché, C. B.; Delport, C. S. L. (2005). *Research at Grassroots for the Social Sciences and Human Service Professions*. 3rd ed. Pretoria: Van Schaik.

De Vos, A.S. (1998) *Research at Grass Roots: A Primer for the Caring Professions*. Van Schaik Publishers, Pretoria.

De Witt, S. (2019). Social Impact Bonds Are Helping Solve South Africa's Hardest Challenges. [Online] <https://www.iisd.org/articles/policy-analysis/social-impact-bonds-are-helping-solve-south-africas-hardest-challenges> [As accessed on 06/10/23].

Domanski, D.; Howaldt, J.; Kaletka, C. (2020). "A comprehensive concept of social innovation and its implications for the local context – on the growing importance of social innovation ecosystems and infrastructures," *European Planning Studies*, Taylor & Francis Journals, vol. 28(3), pages 454-474.

Dowling, E. (2017) 'In the wake of austerity: social impact bonds and the financialisation of the welfare state in Britain', *New Political Economy*, Vol.22(3), pp294-310.

Dowling, E. and Harvie, D. (2014) 'Harnessing the Social: State, Crisis and (Big) Society'. *Sociology*, Vol.48(5) 869–886.

Doyle, G.; Kelly, R.; O'Donohoe, S. (2016). Resource dependence as a mechanism for survival: The case of the Mater Misericordiae university hospital. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 27, 1871-1893. [Online] <https://link.springer.com/article/10.1007/s11266-016-9735-y> [As accessed on 25/09/21].

Drees, J. M.; Heugens, P. P. M. A. R. (2013). Synthesizing and extending resource dependence theory: A meta-analysis. *Journal of Management*, 39(6), 1666–1698. [Online] <https://doi.org/10.1177/0149206312471391> [As accessed on 25/09/21].

Drew, R.; Clist, P. (2015). *Evaluating Development Impact Bonds. A Study for DFID*.

Dutschke, M. (2009). Developmental social welfare policies and children's right to social services. PART TWO: Children and Social Services. South African Child Gauge 2007/2008. Cape Town: Children's Institute, UCT.

Dwivedi, A. S. (2020). Second World War: Causes and Consequences. Institute of Lifelong Learning, University of Delhi. [Online] <https://www.studypool.com/documents/27554658/08-second-world-war-causes-and-consequences-author-dr-sangit-sarita-dwivedi> [As accessed on 15/09/21].

Eames, S.; Terranova, V. (2014). A Review of Social Impact Bonds: Financing Social Service Programs through Public-Private Partnerships. [Online] <https://www.reentryroundtable.org/wp-content/uploads/2011/05/A-Review-of-Social-Impact-Bonds-Final.pdf> [As accessed on 10/10/23].

Easterly, W. (2014). The tyranny of experts: Economists, dictators, and the forgotten rights of the poor. Basic Books.

Edmiston, D.; Nicholls, A. (2018). Social Impact Bonds: The Role of Private Capital in Outcome-Based Commissioning. *Jnl Soc. Pol.* (2018), 47, 1, 57–76. [Online] <https://www.cambridge.org/core/journals/journal-of-social-policy/article/social-impact-bonds-the-role-of-private-capital-in-outcomebased-commissioning/83B92D884934604E21EE2A963EB4E11C> [As accessed on 10/10/23].

Edwards, S. (2014). Economic Development and the Effectiveness of Foreign Aid: A Historical Perspective (NBER Working Paper, No. 20685), Cambridge, MA: National Bureau of Economic Research.

Eisenhart, M.A. (1991) Conceptual Frameworks for Research: Ideas from a Cultural Anthropologist; Implications for Mathematics Education Researchers. Proceedings of the 13th Annual Meeting of the North American Chapter of the International Group for the Psychology of Mathematics Education, Blacksburg, Vol. 1, 202-219.

Eldridge, M.; TeKolste, R. (2016). Results-Based Financing Approaches Observations for Pay for Success from International Experiences. [Online] [https://www.urban.org/sites/default/files/publication/85601/results-based-financing-approaches\\_1.pdf](https://www.urban.org/sites/default/files/publication/85601/results-based-financing-approaches_1.pdf) [As accessed on 25/11/23].

Elmer, P.; Marino, M.; Richter, P.; Zhang, E. (2018). Innovative Finance- putting your money to (decent) work. [Online] [https://www.ilo.org/empent/areas/social-finance/WCMS\\_654680/lang--en/index.htm](https://www.ilo.org/empent/areas/social-finance/WCMS_654680/lang--en/index.htm) [As accessed on 15/08/22].

Erero, J. (2023). Impact of loadshedding in South Africa: A CGE analysis. *Economics and Political Economy*, Issue 2, Vol 10. [Online] [https://www.researchgate.net/profile/Jean-Luc-Erero/publication/373020416\\_Impact\\_of\\_loadshedding\\_in\\_South\\_Africa\\_A\\_CGE\\_analysis](https://www.researchgate.net/profile/Jean-Luc-Erero/publication/373020416_Impact_of_loadshedding_in_South_Africa_A_CGE_analysis)

[As accessed on 17/03/24].

European Parliamentary Research Service (ERPS). (2014). Social impact bonds: Private finance that generates social returns. [Online]

[https://www.europarl.europa.eu/thinktank/en/document/EPRS\\_BRI\(2014\)538223](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2014)538223) [As accessed on 10/10/23].

European Centre for Development Policy Management (ECDPM). (2014). Financing Development: Editorial. [Online] <https://ecdpm.org/work/financing-development-volume-3-issue-8-september-2014/financing-development-editorial> [As accessed on 20/09/21].

European Centre for Development Policy Management (ECDPM). (2012). Reporting on Development: ODA and Financing for Development. [Online]

[https://reliefweb.int/attachments/e9c6a662-506d-339d-9778-a812a90b0919/Reporting\\_on\\_Development\\_2012\\_0107452\\_final.pdf](https://reliefweb.int/attachments/e9c6a662-506d-339d-9778-a812a90b0919/Reporting_on_Development_2012_0107452_final.pdf) [As accessed on 20/09/21].

European Commission. (2012). Strengthening social innovation in Europe – Journey to effective assessment and metrics, [Online] <https://data.europa.eu/doi/10.2769/53098> [As accessed on 25/09/21].

Eyben, R. (2014). *International Aid and the Making of a Better World*. Routledge.

Farber, V.; Reichert, P. (2021). *Social Innovation: Mobilizing private capital for impact*.

[Online] <https://imd.widen.net/view/pdf/hkhxrqtqcu/elea-social-innovation-whitepaper-v6.pdf> [As accessed on 25/09/21].

Farmer, J.; Carlisle, K.; Dickson-Swift, V.; Teasdale, S.; Kenny, A.; Taylor, J.; Croker, F.; Marini, K.; Gussy, M. (2018). Applying social innovation theory to examine how community co-designed health services develop: using a case study approach and mixed methods. *BMC Health Serv Res*.18(1):68. [Online] DOI:[10.1186/s12913-018-2852-0](https://doi.org/10.1186/s12913-018-2852-0) [As accessed on 25/09/21].

FitzGerald, C. (2022). COVID was an extreme test of the social impact bond model. [Online] <https://www.kcl.ac.uk/news/covid-was-an-extreme-test-of-the-social-impact-bond-model> [As accessed on 14/10/23].

Fraser, A.; Tan, S.; Lagerde, M.; Mays, N. (2018). Narratives of Promise, Narratives of Caution: A Review of the Literature on Social Impact Bonds. *Social policy & administration* 52 (1):4-28. [Online] <https://onlinelibrary.wiley.com/doi/full/10.1111/spol.12260>. [As accessed on 10/10/23]

Fleming, J.; Zegwaard, K.E. (2018). Methodologies, Methods and Ethical Considerations for conducting research in work-integrated learning. *International Journal of Work-Integrated Learning, Special Issue, 19, 205-213.* [Online] [https://www.researchgate.net/publication/329356405\\_Methodologies\\_methods\\_and\\_ethical\\_considerations\\_for\\_conducting\\_research\\_in\\_work-integrated\\_learning](https://www.researchgate.net/publication/329356405_Methodologies_methods_and_ethical_considerations_for_conducting_research_in_work-integrated_learning) [As accessed on 25/07/22].

Frye, I. (2008). Poverty, Social Security and Civil Society in South Africa. [Online] [https://www.brot-fuer-die-welt.de/fileadmin/mediapool/2\\_Downloads/Fachinformationen/Analyse/analyse\\_03\\_englisch\\_Poverty\\_and\\_Social\\_Security\\_in\\_SA.pdf](https://www.brot-fuer-die-welt.de/fileadmin/mediapool/2_Downloads/Fachinformationen/Analyse/analyse_03_englisch_Poverty_and_Social_Security_in_SA.pdf) [As accessed on 09/08/24].

Fox, C; Albertson, K. (2011). Payment by results and social impact bonds in the criminal justice sector: New challenges for the concept of evidence-based policy? *Criminology and Criminal Justice* originally published online 8 August 2011. <http://crj.sagepub.com/content/11/5/395>.

Fukuda-Parr, S.; Yamin, A.E.; Greenstein, J. (2014) The Power of Numbers: A Critical Review of Millennium Development Goal Targets for Human Development and Human Rights, *Journal of Human Development and Capabilities*, 15:2-3, 105-117, DOI: 10.1080/19452829.2013.864622.

Garrett, G. S.; Phily, C.; Makhani, L.; Chakravarthy, M. (2020). Innovative Financing Mechanisms for Health: Mapping and Recommendations. [Online] <https://thinkwell.global/wp-content/uploads/2020/12/Innovative-financing-mechanisms-for-Health-Mapping-and-Recommendations-November-2020.pdf> [As accessed on 20/12/23].

Geral, D.; Goss, K. (2016). Social impact bonds– an option to address Africa’s most pressing challenges. [Online] <https://africabusinesscommunities.com/features/social-impact-/bonds-an-option-to-address-africa%E2%80%99s-most-pressing-challenges.html> [As accessed on 01/11/21].

Gill, I. (2018). The end of aid. [Online] <https://www.brookings.edu/articles/the-end-of-aid/> [As accessed on 01/11/21].

Global Impact Investing Network (GIIN). (2013). Catalytic First Loss Capital. [Online] <https://thegiin.org/assets/documents/pub/CatalyticFirstLossCapital.pdf> [As accessed on 20/12/23].

Global Partnership on Output-Based Aid (GPOBA). (2018). A Guide for Effective Results-Based Financing Strategies. [Online] <https://documents1.worldbank.org/curated/en/265691542095967793/pdf/A-Guide-For-Effective-Results-Based-Financing-Strategies.pdf> [As accessed on 25/11/23].

Good Finance (2024). A Beginner’s Guide to Social Investment. [Online] <https://www.goodfinance.org.uk/latest/post/beginners-guide-social-investment> [As accessed on 08/08/24].

Government Technical Advisory Centre (GTAC). (2021). Administering social grants: Process and People. [Online] <https://www.gtac.gov.za/pepa/wp-content/uploads/2021/11/Social-Grants-Admin-Spending-Review-Report.pdf> [As accessed on 30/09/23].

Government Outcomes Lab (GOLAB). (2023). Impact Bonds. [Online] <https://golab.bsg.ox.ac.uk/the-basics/social-impact-bonds/> [As accessed on 02/12/23].

Government Outcomes Lab (GOLAB). (2022a). South Africa Impact Bond Innovation Fund. [Online] <https://golab.bsg.ox.ac.uk/knowledge-bank/case-studies/south-africa-impact-bond-innovation-fund/> [As accessed on 02/12/23].

Government Outcomes Lab (GOLAB). (2022b). Bonds 4 Jobs. [Online] <https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/INDIGO-POJ-0074/> [As accessed on 02/12/23].

Grant, C.; Osanloo, A. (2014). Understanding, Selecting, and Integrating a Theoretical Framework in Dissertation Research: Creating the Blueprint for ‘House’. *Administrative Issues Journal: Connecting Education, Practice and Research*, Pp. 12-22. [Online] [DOI: 10.5929/2014.4.2.9](https://doi.org/10.5929/2014.4.2.9) [As accessed on 15/10/23].

Gray, G.L. (2022). *Doing Research in the Real World*. (5<sup>th</sup> Ed). SAGE Publications Ltd.

Gray, T. (2009). Investing for the Environment? The Limits of the UN Principles of Responsible Investment [Online] <https://ssrn.com/abstract=1416123> [As accessed on 16/09/21].

Grieco, J.M. (2000). The International Political Economy Since World War II. [Online] [https://www.files.ethz.ch/isn/6843/doc\\_6845\\_290\\_en.pdf](https://www.files.ethz.ch/isn/6843/doc_6845_290_en.pdf) [As accessed on 15/06/21].

Griffin, K.B.; Enos, J.L. (1970). Foreign Assistance: Objectives and Consequences. *Economic Development and Cultural Change* Vol. 18, No. 3 (Apr. 1970), pp. 313-327. [Online] <https://www.jstor.org/stable/1152061> [As accessed on 15/09/21].

Griffiths, A.; Meinicke, C. (2014). *Introduction to social impact bonds and early intervention*. London, UK: Early Intervention Foundation.

Grittner, A.M. (2013). Results-based Financing: Evidence from performance-based financing in the health sector. [Online] <https://www.oecd.org/dac/peer-reviews/Results-based-financing.pdf> [As accessed on 22/12/23].

Gustafsson-Wright, E.; Osborne, S.; Crane, E. (2021). How have impact bond-funded projects in low- and middle-income countries fared in COVID-19? Brookings Institution. [Online] <https://www.brookings.edu/articles/how-have-impact-bond-funded-projects-fared-in-lower-and-middle-income-countries-fared-in-covid-19/> [As accessed on 10/10/23].

Gustafsson-Wright, E.; Osborne, S. (2020). Do the benefits outweigh the costs of impact bonds? Brookings Institution. [Online] <https://www.brookings.edu/articles/do-the-benefits-outweigh-the-costs-of-impact-bonds/> [As accessed on 10/10/23].

Gustafsson-Wright, E.; Osborne, S.; Massey, M. (2020). Do impact bonds affect the ecosystem of social services delivery and financing? Brookings Institution. [Online] <https://www.brookings.edu/articles/do-impact-bonds-affect-the-ecosystem-of-social-services-delivery-and-financing/> [As accessed on 10/10/23].

Gustafsson-Wright, E; Boggild-Jones, I; Segell, D; Durland, J. (2017). Impact bonds in developing countries: Early learnings from the field. [Online]. [https://www.brookings.edu/wp-content/uploads/2017/09/impact-bonds-in-developing-countries\\_web.pdf](https://www.brookings.edu/wp-content/uploads/2017/09/impact-bonds-in-developing-countries_web.pdf) [As accessed on 14-01-20]

Gustafsson-Wright, E.; Gardiner, S.; Putcha, V. (2015). The potential and limitations of impact bonds: Lessons from the first five years of experience worldwide. Brookings Institution. [Online] <https://www.brookings.edu/articles/the-potential-and-limitations-of-impact-bonds-lessons-from-the-first-five-years-of-experience-worldwide/> [As accessed on 09/01/20]

Hayter, T. (1971). *Aid As Imperialism*. Penguin Books Ltd.

Hammersley, M. (1992a). *What's Wrong with Ethnography?* London, Routledge.

Hanfstaengl, H.E.M. (2010). Impact of the global economic crisis on civil society organisations. [Online] Available: <http://ngosocdev.files.wordpress.com/2010/01/fullstudy-on-impact-of-global-crisis-on-csos-2-25-10.pdf> [Accessed: 23/01/20].

Harrison, H; Birks, M; Franklin, R; Mills, J. (2017). Case Study Research: Foundations and Methodological Orientations. *Forum: Qualitative Social Research*. Volume 18, No. 1, Art. 19 – January 2017.

Hillman, A. J.; Withers, M. C.; Collins, B. J. (2009). Resource Dependence Theory: A Review. *Journal of Management*, 35(6), 1404-1427. [Online] <https://doi.org/10.1177/0149206309343469> [As accessed on 25/09/21].

Hölscher D. (2008) The Emperor's new clothes: South Africa's attempted transition to developmental social welfare and social work. *International Journal of Social Welfare* 17: 114-123.

Howaldt, J; Schwarz, M. (2017). Social Innovation and Human Development—How the Capabilities Approach and Social Innovation Theory Mutually Support Each Other. *Journal of Human Development and Capabilities*, 2017, vol. 18, issue 2, 163-180. [Online] [https://www.researchgate.net/publication/312178720\\_Social\\_Innovation\\_and\\_Human\\_Development-How\\_the\\_Capabilities\\_Approach\\_and\\_Social\\_Innovation\\_Theory\\_Mutually\\_Support\\_Each\\_Other](https://www.researchgate.net/publication/312178720_Social_Innovation_and_Human_Development-How_the_Capabilities_Approach_and_Social_Innovation_Theory_Mutually_Support_Each_Other) [As accessed on 25/09/21].

Huckfield, L. (2020). The Mythology of the Social Impact Bond. A Critical Assessment from a Concerned Observer. *Historical Social Research / Historische Sozialforschung*. Vol. 45, No. 3, Special Issue: Social Finance, Impact Investing, and the Financialization of the Public Interest (2020), pp. 161-183 [Online] <https://www.jstor.org/stable/26918409>. [As accessed on 12/10/23].

Hulme, D. (2010). Lessons from the Making of the MDGs: Human Development Meets Results-based Management in an Unfair World. *IDS Bulletin Volume 41, Issue 1 Special Issue: The MDGs and beyond*. [Online] <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1759-5436.2010.00099.x> [As accessed 15/09/21].

Human Research Ethics Committee (HREC). (2023). National Statement on Ethical Conduct in Human Research 2023. [Online] <https://www.nhmrc.gov.au/file/19531/download?token=rpY3-bU5> [As accessed on 16/03/24].

Hussain, Z. (2014). The ever-changing landscape of aid. [Online] <https://blogs.worldbank.org/endpovertyinsouthasia/ever-changing-landscape-aid> [As accessed on 20/09/21].

Hynes, W.; Scott, S. (2013). The Evolution of Official Development Assistance: Achievements, Criticisms and a Way Forward”, *OECD Development Co-operation Working Papers*, No. 12, OECD Publishing. [Online] <http://dx.doi.org/10.1787/5k3v1dv3f024-en> [As accessed on 20/09/21].

Innovative Finance Initiative (IFI). (2014). Innovative Financing For Development: Scalable Business models that produce economic, Social, and environmental outcomes. [Online] [https://www.citigroup.com/rcs/citigpa/akpublic/storage/public/innovative\\_financing\\_for\\_development.pdf](https://www.citigroup.com/rcs/citigpa/akpublic/storage/public/innovative_financing_for_development.pdf) [As accessed on 01/11/21].

Igwe, I.O.C. (2018). History of the International Economy: The Bretton Woods System and its Impact on the Economic Development of Developing Countries. *Athens Journal of Law - Volume 4, Issue 2 – Pages 105-126*. [Online] <https://www.athensjournals.gr/law/2018-4-2-1-Igwe.pdf> [As accessed on 15/09/21].

- Igwenagu, C. (2016). Fundamentals of research methodology and data collection. 12-37.
- International Monetary Fund (IMF). (2004). Articles of Agreement. [Online] <https://www.elibrary.imf.org/display/book/9781455217021/9781455217021.xml> [As accessed on 15/09/21].
- Instiglio. (2017). A practitioner's guide to results-based financing: Getting to impact. [Online] [https://www.instiglio.org/wp-content/uploads/2021/02/RBF\\_PractitionersGuidebook\\_Instiglio\\_18Oct2017.pdf](https://www.instiglio.org/wp-content/uploads/2021/02/RBF_PractitionersGuidebook_Instiglio_18Oct2017.pdf) [As accessed on 16/09/21].
- Institute for Justice and Reconciliation (IJR). (2021). IJR's Role in Measuring Progress Towards South Africa's National Development Plan. [Online] <https://www.ijr.org.za/2021/04/01/ijrs-role-in-measuring-progress-towards-south-africas-national-development-plan/> [As accessed on 21/12/23].
- Institute of Directors in Southern Africa (IoDSA). (2011). Code for responsible investing in South Africa (CRISA). Johannesburg: Institute of Directors in Southern Africa.
- Iphofen, R.; Tolich, M. (ed). (2018). The Sage Handbook of Qualitative research ethics. Los Angeles: Sage.
- Intellidex. (2021). The Bonds4Jobs Social Impact Bond report. [Online] <https://www.krutham.com/reports/bonds4jobs-report/> [As accessed on 22/09/21].
- Intellidex. (2021). The Impact Bond Innovation Fund. [Online] <https://www.krutham.com/reports/impact-bond-innovation-fund-report/> [As accessed on 22/09/21].
- Intellidex (2021). Social Impact Bonds in South Africa report. [Online] <https://www.krutham.com/insights/impact-investing/the-intellidex-sibs-report-series/> [As accessed on 22/09/21].
- Jackson, K.; Bazeley, P. (2019). Qualitative Data Analysis with Nvivo (3<sup>rd</sup> ed). Sage Publications.
- Johnson, B.L. (1995). Resource Dependence Theory: A Political Economy Model of Organizations. [Online] <https://www.semanticscholar.org/paper/Resource-Dependence-Theory%3A-A-Political-Economy-of-Johnson/484e7b795568afea5a34051d413d575f865e0e0d> [As accessed on 25/09/21].

Joy, M.; Shields, J. (2020). Debate: How do Social Impact Bonds economize social policy?, *Public Money & Management*, 40:3, 190-192, DOI: 10.1080/09540962.2020.171430

Katz, A.S.; Brisbois, B.; Zerger, S.; Hwang, S.W. (2018). Social Impact Bonds as a Funding Method for Health and Social Programs: Potential Areas of Concern”, *American Journal of Public Health* 108, no. 2 (February 1, 2018): pp. 210-215. [Online] <https://doi.org/10.2105/AJPH.2017.304157> [As accessed on 10/10/23].

Khan, Z. (2021). Social impact bonds fund welfare projects: how South Africa’s first two have done. [Online] <https://theconversation.com/social-impact-bonds-fund-welfare-projects-how-south-africas-first-two-have-done-160883> [As accessed on 31/10/23].

Klingebiel, S. (2012). Results-Based Aid (RBA): New Aid Approaches, Limitations and the Application to Promote Good Governance. [Online] [https://www.researchgate.net/publication/255698156\\_Results-Based\\_Aid\\_RBA\\_New\\_Aid\\_Approaches\\_Limitations\\_and\\_the\\_Application\\_to\\_Promote\\_Good\\_Governance](https://www.researchgate.net/publication/255698156_Results-Based_Aid_RBA_New_Aid_Approaches_Limitations_and_the_Application_to_Promote_Good_Governance) [As accessed on 27/11/23].

Kothari, C.R. (1990) *Research Methodology: Methods and Techniques* (2<sup>nd</sup> ed). Wishwa Prakashan, New Delhi.

König, A.N.; Club, C.; Apampa, A. (2020). *Innovative Development Finance Toolbox*. KfW. [Online] [https://www.kfw-entwicklungsbank.de/PDF/Download-Center/PDF-Dokumente-Broschüren/2020\\_Innovative\\_Development\\_Finance\\_Toolbox.pdf](https://www.kfw-entwicklungsbank.de/PDF/Download-Center/PDF-Dokumente-Broschüren/2020_Innovative_Development_Finance_Toolbox.pdf) [As accessed on 30/08/21].

KPMG. (2011). *Aid effectiveness –Improving accountability and introducing new initiatives*. Issues Monitor, Volume Four. [Online] <https://assets.kpmg.com/content/dam/kpmg/pdf/2015/12/issues-monitor-aid-effectiveness.pdf> [As accessed on 15/09/21].

Kumar, S.; Kumar, N.; Vivekadhis, S. (2016). Millennium Development Goals (MDGS) to Sustainable Development Goals (SDGS): Addressing Unfinished Agenda and Strengthening Sustainable Development and Partnership. *Indian Journal of Community Medicine*, 41, 1-4. [Online] <https://doi.org/10.4103/0970-0218.170955> [As accessed on 01/11/21].

Kumi, E. (2017). *NGOs and Domestic resource mobilisation in Ghana*. University of Bath. Centre for Development Studies. Bath Papers in International Development and Well-Being. NO. 52 – June 2017.

Kwagyang, G.U.; Ghide, H.B.; Haruna, A.L. (2015). Bretton Woods Institutions: Their Evolution and Impacts on the Field of International Economic Law. *Journal of Law, Policy and Globalization*, Vol 35, pp 49-55. [Online] <https://www.semanticscholar.org/paper/Bretton-Woods-Institutions%3A-Their-Evolution-and-on-Kwagyang-Ghide/57b2354e14cf4a1c92d2f98400c29f761de08ae6> [As accessed on 15/09/21].

Landau, J.P. (2004). Working group on new international financial contributions report. [Online] <https://www.diplomatie.gouv.fr/IMG/pdf/LandauENG1.pdf> [As accessed on 15/09/21].

La Torre, M.; Trotta, A.; Chiappini, H.; Rizzello, A. (2019). Business Models for Sustainable Finance: The Case Study of Social Impact Bonds. *Sustainability*, 2019, vol. 11, issue 7, 1-23. [Online] [https://econpapers.repec.org/article/gamjsusta/v\\_3a11\\_3ay\\_3a2019\\_3ai\\_3a7\\_3ap\\_3a1887-3ad\\_3a218171.htm](https://econpapers.repec.org/article/gamjsusta/v_3a11_3ay_3a2019_3ai_3a7_3ap_3a1887-3ad_3a218171.htm) [As accessed on 01/11/21].

Lester, J. N.; Cho, Y.; & Lochmiller, C. R. (2020). Learning to do qualitative data analysis: A starting point. *Human Resource Development Review*, 19(1), 94–106. [Online] <https://doi.org/10.1177/1534484320903890>. [As accessed on 23/09/23].

Levy, V. (1988). Aid and growth in Sub-Saharan Africa: The recent experience, *European Economic Review*, Volume 32, Issue 9.

Liebman, J. B., 2011. Social Impact Bonds: A promising new financing model to accelerate social innovation and improve government performance. Centre for American Progress.

Lombard, A. & Kleijn, W.C. 2006. Statutory Social Work Services: An integral part of social welfare service delivery. *Social Work / Maatskaplike Werk*, 42(3/4):213-233.

Maier, F.; Meyer, M. (2017). Social Impact Bonds and the Perils of Aligned Interests. *Adm. Sci.* 2017, 7, 24. [Online] <https://doi.org/10.3390/admsci7030024> [As accessed on 20/12/23].

Masters, J.; Chatzky, A. (2019). The World Bank Group's Role in Global Development. [Online] <https://www.cfr.org/background/world-bank-groups-role-global-development> [As accessed on 15/09/21].

Mathonnat, J.; Pelissier, A. (2017). "How A Results-Based Financing Approach Can contribute to the health Sustainable Development Goals - Policy-oriented lessons: what we know, what we need to know and don't yet know," Working Papers P204, FERDI.

McHugh, N., Sinclair, S., Roy, M., Huckfield, L. and Donaldson, C. (2013) 'Social impact bonds: a wolf in sheep's clothing?' *Journal of Poverty and Social Justice*. Vol 21(3) pp.247-257

Merriam, S. B.; Tisdell, E. J. (2016). *Qualitative Research: A Guide to Design and Implementation* (4th ed.). San Francisco, CA: Jossey Bass.

Mhiribidi, S. T. W. 2010. Promoting the developmental social welfare approach in Zimbabwe: challenges and prospects. *Journal of Social Development in Africa*, 25(2): 121-146. [Online] <https://www.proquest.com/openview/5b694d984ce3089308aa7f32b5f70254/1?pq-origsite=gscholar&cbl=536315> [As accessed on 25/09/21].

Midgley J. (2014) *Social development: Theory and practice*, London: Sage.

Midgley, J. 2010b. The theory and practice of developmental social work. In Midgley, J. & Conley, A. (Eds). *Social work and social development theories and skills for developmental social work*. New York: Oxford University Press.

Midgley, J. (1995). *Social Development: The Developmental Perspective in Social Welfare*. London, Thousand Oaks, CA and New Delhi. Sage Publications.

Miles, M.B.; Huberman, A.M; Saldana, J. (2014). *Qualitative Data analysis: A Methods Sourcebook*. Sage, London.

Millner, R., & Meyer, M. (2021). Collaborative governance in Social Impact Bonds: aligning interests within divergent accountabilities? *Public Management Review*, 24(5), 729–751. <https://doi.org/10.1080/14719037.2021.2000253>

Moore, M.; Westley, F.R.; Nicholls, A. (2012). The Social Finance and Social Innovation Nexus 1. *Journal of Social Entrepreneurship*, 3:2, 11,132, DOI: 10.1080/19420676.2012.725824.

Moran, M.; Ward, C. (2022). Blended Social Impact Investment Transactions: Why Are They so complex? *Journal of Business Ethics*, Issue 179, p. 1011–1031.

Moyo, D. (2009) *Dead Aid*. London: Penguin.

Mubangizi, J.C; Mubangizi, B.C. (2005) Poverty, human rights law and socio-economic realities in South Africa, *Development Southern Africa*, 22:2, 277-290, DOI: 10.1080/03768350500163311

Mulgan, G.; Reeder, N.; Aylott, M.; Bo'sher, L. (2010). Social Impact Investment: the challenge and opportunity of Social Impact Bonds.

Mulgan, G.; Tucker, S.; Ali, R.; Sanders, B. (2007). Social Innovation. What it is, why it matters and how it can be accelerated. [Online] <https://youngfoundation.org/wp-content/uploads/2012/10/Social-Innovation-what-it-is-why-it-matters-how-it-can-be-accelerated-March-2007.pdf> [As accessed on 19/05/22].

Mulvaney, M.; Kriegler, L. (2014). Thinking about Social Impact Bonds in the South African Context (Lessons from the United Kingdom). Cornerstone Economic Research.

Musgrove, P. (2011). Rewards for Good Performance or Results: A Short Glossary. Washington, DC: World Bank.

Mwita, K. (2022). Strengths and weaknesses of qualitative research in social science studies. *International Journal of Research in Business and Social Science* (2147-4478), 11(6), 618-625. [Online] <https://doi.org/10.20525/ijrbs.v11i6.1920> [As accessed on 11/03/24].

Nafziger, E.W. (2006) *Economic Development*. 4th Edition, Cambridge University Press, New York.

National Planning Commission. (2020). Economic Progress Towards The National Development Plan's Vision 2030. Recommendations for Course Correction. [Online] <https://www.nationalplanningcommission.org.za/assets/Documents/Review%20of%20Economic%20Progress%20NPC%20Dec%202020.pdf> [As accessed on 30/11/21].

National Planning Commission. (2012). National Development Plan: Vision for 2030 [Online] [https://www.nationalplanningcommission.org.za/National\\_Development\\_Plan](https://www.nationalplanningcommission.org.za/National_Development_Plan) [As accessed on 11/11/23].

Nayyar, D. (2013). *Catch-up: Developing Countries in the World Economy*, New Delhi: Oxford University Press.

Ngarava, S.; Mushunje, A.; Chaminuka, P.; Zhou, L. (2022). Impact of the COVID-19 pandemic on the South African tobacco and alcohol industries: Experiences from British American Tobacco and Distell Group Limited. [Online] <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9212888/> [As accessed on 20/11/23].

Ngulube, P. (2015). Qualitative Data Analysis and Interpretation: Systematic Search for Meaning in Mathipa, E.R. and Gumbo, M.T. (ed). Addressing research challenges: making headway for developing researchers. Mosala-Masedi Publishers & Booksellers cc: Noordwyk, pp. 131-156.

Nienhüser, W. 2008. "Resource Dependence theory-How Well Does It Explain Behavior of Organizations?" Management Revue 19 (1-2): 9-32. doi:<https://doi.org/10.5771/0935-9915-2008-1-2-9>.

Nonprofit Organisations Act 71. (1997). Government Gazette. Cape Town printers.

Noyoo, N (Ed). (2021). Promoting Healthy Human Relationships in Post-Apartheid South Africa: Social Work and Social Development Perspectives. Springer Cham.

Ntjana, N. J. E. (2014). The progress of developmental social welfare: a case study in the Vhembe district, Limpopo. Pretoria: University of Pretoria. Masters' Thesis. [Online] [https://repository.up.ac.za/bitstream/handle/2263/46179/Ntjana\\_Progress\\_2014.pdf?sequence=1](https://repository.up.ac.za/bitstream/handle/2263/46179/Ntjana_Progress_2014.pdf?sequence=1) [As accessed on 25/09/21].

Ogujiuba, K.; Mngometulu, N. (2022). Does Social Investment Influence Poverty and Economic Growth in South Africa: A Cointegration Analysis? *Economies* 2022, 10, 226. <https://doi.org/10.3390/economies10090226>.

Oliver Wyman (2016). Corporate Social Investment: Gaining traction. [Online] <https://www.oliverwyman.com/our-expertise/insights/2016/feb/corporate-social-investment.html> [As accessed on 08/08/24].

Organization for Economic Co-operation and Development (OECD). (2021). Social Impact Bonds: Innovative policy design of active labour market policies (ALMP). [Online] <https://www.oecd.org/els/emp/InnovativeALMPs-May2021-Social-impact-bonds.pdf> [As accessed on 08/08/24].

Organization for Economic Co-operation and Development (OECD). (2020). Six decades of ODA: insights and outlook in the COVID-19 crisis. OECD Development Co-operation Profiles 2020, OECD Publishing, Paris. [Online] <https://doi.org/10.1787/2dcf1367-en>

Organization for Economic Co-operation and Development (OECD). (2016). Social Impact Bonds: State of play & lessons learnt. [Online] <https://www.oecd.org/cfe/leed/SIBs-State-Play-Lessons-Final.pdf>. [As accessed on 10/10/23].

Organization for Economic Co-operation and Development (OECD). (2016). Understanding Social Impact Bonds. [Online] <https://www.oecd.org/cfe/leed/UnderstandingSIBsLux-WorkingPaper.pdf> [As accessed on 10/10/23].

Organization for Economic Co-operation and Development (OECD). (2013). RESULTS-BASED FUNDING. Key take-aways from a technical workshop. [Online]. <https://www.oecd.org/dac/peer-reviews/Results-based-financing-key-take-aways-Final.pdf> [As accessed on 22/12/23].

Organization for Economic Co-operation and Development (OECD). (2012). The Busan Partnership for Effective Development Cooperation. [Online] <https://www.oecd.org/dac/effectiveness/Busan%20partnership.pdf> [As accessed on 15/03/24].

Organization for Economic Co-operation and Development (OECD). (2009). Understanding Key Terms and Modalities for Private Sector Engagement in Development Co-operation. [Online] <https://www.oecd.org/dac/peer-reviews/Inventory-1-Private-Sector-Engagement-Terminology-and-Typology.pdf> [As accessed on 15/03/24].

Organization for Economic Co-operation and Development (OECD). (2008). The Accra Agenda for Action. [Online] <https://www.oecd.org/dac/effectiveness/45827311.pdf> [As accessed on 15/03/24].

Organization for Economic Co-operation and Development (OECD). (2007). Financing Development Aid and Beyond. [Online] [https://www.oecd-ilibrary.org/development/financing-development\\_9789264027596-en](https://www.oecd-ilibrary.org/development/financing-development_9789264027596-en) [As accessed on 15/08/21].

Organization for Economic Co-operation and Development (OECD). (2005). The Paris Declaration on Aid Effectiveness: Five Principles for Smart Aid. [Online] <https://www.oecd.org/dac/effectiveness/45827300.pdf> [As accessed on 15/09/21].

Olaniyan, R. (2000). Official Development Assistance and Sustainable Development In Africa: Towards A New Strategy. [Online] <https://www.semanticscholar.org/paper/OFFICIAL-DEVELOPMENT-ASSISTANCE-AND-SUSTAINABLE-IN-Olaniyan/eef673fc54f15bb8c86ece03ce76d9441032a551> [As accessed on 14/08/21].

Olson, H.; Painter, G.; Albertson, K.; Fox, C.; and O’Leary, C. (2022) ‘Are Social Impact Bonds an Innovation in Finance or Do They Help Finance Social Innovation?’ *Journal of Social Policy*, DOI: 10.1017/S0047279422000356Orliange, P.A. (2020). From poverty reduction to global challenges, a new horizon for international development cooperation? *Revista Brasileira de Política Internacional* 63(2): e002. [Online] <https://www.scielo.br/j/rbpi/a/ZcfDF9yNZLkmGhZmgDCX7ss/?lang=en&format=pdf> [As accessed on 20/09/21].

Oroxom, R.; Glassman, A.; McDonald, L. (2018). Structuring and Funding Development Impact Bonds for Health: Nine Lessons from Cameroon and Beyond. [Online]. <https://www.cgdev.org/publication/structuring-funding-development-impact-bonds-for-health-nine-lessons>. [As accessed on 14-01-20].

Panel Discussion on Social and Development Impact Bonds as a Results Based Financing (RBF) Approach in Education (2017). Can Impact Bonds Deliver Better Results, Faster and Cheaper?

Pandey, P. and Pandey, M.M. (2015) *Research Methodology: Tools and Techniques*. Bridge Center, Romania.

Patel, L. (2008). Getting it Right and Wrong: An Overview of a Decade of Post-Apartheid Social Welfare. *Practice: Social Work in Action* 20(2): 71–81.

Patel, L. (2005). *Social welfare and social development in South Africa*. Cape Town: Oxford University Press

Pettus, A. (2013). Social Impact Bonds. *Harvard Magazine*, July-august. [Online] <https://www.harvardmagazine.com/2013/06/social-impact-bonds> [As accessed on 01/11/21].

Phillips, K. (2013). The history of foreign aid. [Online] <https://www.abc.net.au/listen/programs/rearvision/the-history-of-foreign-aid/5162100> [As accessed on 21/09/21].

Phills Jr., J. A., Deiglmeier, K., & Miller, D. T. (2008). Rediscovering Social Innovation. *Stanford Social Innovation Review*, 6(4), 34–43. [Online] <https://doi.org/10.48558/GBJY-GJ47> [As accessed on 25/09/21].

Pillay, D. (2012). The code for responsible investing in South Africa. [Online] <https://financialmarketsjournal.co.za/oldsite/16thedition/printedarticles/responsibleinvesting.htm> [As accessed on 30/11/21].

Pfeffer, J.; Salancik, G. R. (1978). The external control of organizations: A resource dependence perspective. New York: Harper & Row.

Pol, E.; Ville, S. (2009). Social innovation: Buzz word or enduring term? *Journal of Behavioral and Experimental Economics (formerly The Journal of Socio-Economics)*, 2009, vol. 38, issue 6, 878-885. [Online] [https://www.researchgate.net/publication/222652971\\_Social\\_innovation\\_Buzz\\_word\\_or\\_enduring\\_term](https://www.researchgate.net/publication/222652971_Social_innovation_Buzz_word_or_enduring_term) [As accessed on 25/09/21].

Polit, D.F.; Hungler, P.B. (1999). *Nursing Research: Principles and Methods*. 6th Edition, Lippincott Williams & Wilkins, Philadelphia, PA

Pue, K. (2016). Social Impact Bonds: Reflecting on Emerging Global Practice. Conference: International Social Innovation Research Conference (ISIRC) 2016, "Social Innovation in the 21st Century: Beyond Welfare Capitalism?". [Online] [https://www.researchgate.net/publication/311571623\\_Social\\_Impact\\_Bonds\\_Reflecting\\_on\\_Emerging\\_Global\\_Practice](https://www.researchgate.net/publication/311571623_Social_Impact_Bonds_Reflecting_on_Emerging_Global_Practice) [As accessed on 19/05/22].

Public Policy and International Affairs (PPIA). (2014). Social Impact Bonds: A New Tool for Social Financing. [Online] <https://spia.princeton.edu/sites/default/files/content/Social%20Impact%20Bonds%202014%20Final%20Report.pdf> [As accessed on 10/10/23].

Rajasekhar, D.; Manjula, R.; Paranjothi, T. (Ed). (2020). *Cooperatives and Social Innovation Experiences from the Asia Pacific Region*. [Online] <https://dokumen.pub/cooperatives-and-social-innovation-experiences-from-the-asia-pacific-region-1st-ed-9789811588792-9789811588808.html> [As accessed on 25/09/21].

Ravitch, S.M.; Riggan, M. (Eds). (2017). *Reason & Rigor: How Conceptual Frameworks Guide Research* (2<sup>nd</sup> Edition). SAGE Publications, Inc., Thousand Oaks, CA.

Rizzello, A., & Carè, R. (2016). Insight into the Social Impact Bond market: an analysis of investors. [Online] <https://www.acrn-journals.eu/resources/jofrp0503h.pdf> [As accessed on 10/10/23].

- Roberts, P. (2012). *World War II: The Essential Reference Guide*. ABC-CLIO.
- Roman, John, K. (2013). Statement on Social Impact Bonds presented to the Committee on Appropriations Maryland House of Delegates. [Online] <https://www.urban.org/research/publication/social-impact-bonds> [As accessed on 20/08/23].
- Rosenstein-Rodan, P.N. (1943). The Problems of Industrialisation of Eastern and South-Eastern Europe. *The Economic Journal* Vol.53.
- Sagasti, F.; Bezanson, K.; Prada, F.; Blockus, K.; Casabonne, U.; Lima, A.T.; Salop, J. (2004). *The Future of Development Financing: Challenges, Scenarios and Strategic Choices*. [Online] <http://newrules.nonprofitsoapbox.com/storage/documents/ffd/segasti-bezanson-prada04.pdf> [As accessed on 15/09/21].
- Sengupta, A. (1993). Aid and Development Policy in the 1990s. *Economic and Political Weekly* Vol. 28, No. 11 (Mar. 13, 1993), pp. 453-464.
- Schutt, R.K. (2022). *Investigating the Social World: The Process and Practice of Research* (10<sup>th</sup> ed). Sage Publications.
- Schumpeter, J.A. (1912) *Theorie der wirtschaftlichen Entwicklung*. Dunker & Humblot, Leipzig. *The Theory of Economic Development* Translated by R. Opie. Harvard University Press, Cambridge, MA, 1934.
- Silverman, D. (2020). *Interpreting qualitative data* / David Silverman. London; Thousand Oaks, CA: SAGE Publications Ltd.
- Sinclair, S.; McHugh, N.; Roy, M.J. (2021). Social innovation, financialisation and commodification: A critique of social impact bonds, *Journal of Economic Policy Reform*, 24:1, 11-27, DOI: 10.1080/17487870.2019.1571415. [As accessed on 10/10/23].
- Sinclair, S., McHugh, N., Huckfield, L., Roy, M. J., & Donaldson, C. (2014). Social Impact Bonds: Shifting the Boundaries of Citizenship. *Social Policy Review* 26: Analysis and Debate in Social Policy 2014, 119–136.

Sithole, A. (2013). Results Based Financing in Zimbabwe: Any Changes in the Health Delivery System? *Journal of Social Welfare and Human Rights* 1(1); June 2013. [Online] [https://www.researchgate.net/profile/Angeline-Sithole/publication/327060318\\_Results\\_Based\\_Financing\\_in\\_Zimbabwe\\_Any\\_Changes\\_in\\_the\\_Health\\_Delivery\\_System/links/5b7c409f92851c1e1224e019/Results-Based-Financing-in-Zimbabwe-Any-Changes-in-the-Health-Delivery-System.pdf](https://www.researchgate.net/profile/Angeline-Sithole/publication/327060318_Results_Based_Financing_in_Zimbabwe_Any_Changes_in_the_Health_Delivery_System/links/5b7c409f92851c1e1224e019/Results-Based-Financing-in-Zimbabwe-Any-Changes-in-the-Health-Delivery-System.pdf) [As accessed on 25/11/23].

Social Impact Investing Taskforce (SII Taskforce). (2023). Final Report of the Australian Social Impact Investing Taskforce A Commonwealth strategy to build a mature and self-sustaining social impact investing market that improves the lives of vulnerable Australians. [Online] <https://treasury.gov.au/sites/default/files/2023-12/p2023-391009-taskforce-final-report-2020.pdf> [As accessed on 24/03/24].

Social Finance. (2013). Investing in Social Outcomes: Development Impact Bonds. The Report of the Development Impact Bond Working Group. [Online] <https://usaidlearninglab.org/system/files/resource/files/investing-in-social-outcomes-development-impact-bonds.pdf> [As accessed on 10/10/23].

South African government. (2013). Protection of Personal Information Act 4 of 2013. [Online] <https://www.gov.za/documents/protection-personal-information-act> [As accessed on 04/03/24].

South African government. (2011). National Development Plan 2030. [Online] [www.gov.za](http://www.gov.za) [As accessed on 15/10/23].

South African government. (2011). Pension Funds Act. [Online] [https://www.gov.za/sites/default/files/gcis\\_document/201409/34070rg9485gon183.pdf](https://www.gov.za/sites/default/files/gcis_document/201409/34070rg9485gon183.pdf) [As accessed on 30/11/21].

South African government. (2008). Accelerated and Shared Growth Initiative for South Africa (AsgiSA). [Online] [https://www.gov.za/sites/default/files/gcis\\_document/201409/asgisa2008.pdf](https://www.gov.za/sites/default/files/gcis_document/201409/asgisa2008.pdf) [As accessed on 20/12/23].

South African government. (1999). Public Finance Management Act (PFMA) No. 1. [Online] <https://www.treasury.gov.za/legislation/pfma/PFMA%201999%20as%20amended%20March%202017.pdf> [As accessed 30/11/21].

Srinivas, N. (2015). Towards a Critique of Social Innovation. *Academy of Management Proceedings*. 2015. 18472-18472. 10.5465/AMBPP.2015. [Online] [https://www.researchgate.net/publication/291368904\\_Towards\\_a\\_Critique\\_of\\_Social\\_Innovation/citation/download](https://www.researchgate.net/publication/291368904_Towards_a_Critique_of_Social_Innovation/citation/download) [As accessed on 04/08/24].

Standard Bank Tutuwa Foundation. (2023). Tutuwa Community Foundation's social impact bond named Financial Instrument of the Year at Africa Impact Investment Awards. [Online] <https://www.standardbank.co.za/southafrica/news-and-media/newsroom/tutuwa-community-foundation-social-impact-bond-named-financial-instrument-of-the-year-at-africa-impact-investment-awards> [As accessed on 30/10/23].

Statistics South Africa. (2023). The shift in government spending patterns over time. [Online] <https://www.Stats SA.gov.za/?p=16928> [As accessed on 16/03/24].

Statistics South Africa. (2021). Quarterly Labour Force Survey (QLFS) Q4:2020. [Online] [https://www.Stats SA.gov.za/publications/P0211/Presentation%20QLFS%20Q4\\_2020.pdf](https://www.Stats SA.gov.za/publications/P0211/Presentation%20QLFS%20Q4_2020.pdf) [As accessed on 16/03/24].

Statistics South Africa. (2022). Economic recovery from COVID-19: Not all countries are equal. [Online] <https://www.Stats SA.gov.za/?p=15690> [As accessed on 20/11/23].

Statistics South Africa. (2019). Sustainable Development Goals (SDGs): Country Report 2019. [Online] [https://www.Stats SA.gov.za/MDG/SDGs\\_Country\\_Report\\_2019\\_South\\_Africa.pdf](https://www.Stats SA.gov.za/MDG/SDGs_Country_Report_2019_South_Africa.pdf) [As accessed on 20/11/23].

Swedish International Development Cooperation Agency (SIDA). (2015). Results Based Financing Approaches (RBFA) – what are they? A Methodological Introduction. [Online] <https://cdn.sida.se/publications/files/sida61914en-results-based-financing-approaches-rbfa-what-are-they.pdf> [As accessed on 22/12/23].

Swilling, M; Russell, B. (2002). The size and scope of the non-profit sector in South Africa. Johannesburg, South Africa: Graduate School of Public and Development Management, University of the Witwatersrand; Durban, South Africa: Centre for Civil Society, University of Natal.

Szabo, N. (2018). Smart Contracts: Building Blocks for Digital Markets. Political Science, Computer Science, Business, Economics. [Online] <https://www.semanticscholar.org/paper/Smart-Contracts%3A-Building-Blocks-for-Digital-Szabo/9b6cd3fe0bf5455dd44ea31422d015b003b5568f> [As accessed on 20/12/23].

Taherdoost, H. (2023). Smart Contracts in Blockchain Technology: A Critical Review. *Information* 2023, 14, 117. [Online] <https://doi.org/10.3390/info14020117> [As accessed on 20/12/23].

Tesch, R. (1990) *Qualitative research: Analysis types and software tools*. Falmer, New York.

Thorbecke, E. (2006). The Evolution of the Development Doctrine, 1950-2005. United Nations University Research Paper No. 2006/155. [Online] [https://www.researchgate.net/profile/Erik-Thorbecke/publication/23547753\\_The\\_Evolution\\_of\\_the\\_Development\\_Doctrine\\_1950-2005/links/555b5c4708aec5ac22322f76/The-Evolution-of-the-Development-Doctrine-1950-2005.pdf?origin=publication\\_detail&tp=eyJjb250ZXh0Ijp7ImZpcnN0UGFnZSI6InB1YmxpY2F0aW9uIiwicGFnZSI6InB1YmxpY2F0aW9uRG93bm9vYm90IiwicmV2aW91c1BhZ2UiOiJwdWJsaWNhdGlvbiJ9fQ](https://www.researchgate.net/profile/Erik-Thorbecke/publication/23547753_The_Evolution_of_the_Development_Doctrine_1950-2005/links/555b5c4708aec5ac22322f76/The-Evolution-of-the-Development-Doctrine-1950-2005.pdf?origin=publication_detail&tp=eyJjb250ZXh0Ijp7ImZpcnN0UGFnZSI6InB1YmxpY2F0aW9uIiwicGFnZSI6InB1YmxpY2F0aW9uRG93bm9vYm90IiwicmV2aW91c1BhZ2UiOiJwdWJsaWNhdGlvbiJ9fQ) [As accessed on 20/09/21].

Toonen, J.; Lodenstein, E.; Coolen, A.; van der Wal, B.; Ambadire, R.; Guribie, N.; Boateng, A.; Koné, B.; Dramame, D.; Ballo, K.; (2018). Results-Based Financing in healthcare. Developing an RBF approach for healthcare in different contexts: the cases of Mali and Ghana. [Online]. [https://www.kit.nl/wp-content/uploads/2018/08/1988\\_RBF\\_p01\\_72.pdf](https://www.kit.nl/wp-content/uploads/2018/08/1988_RBF_p01_72.pdf) [As accessed on 22/12/23].

Tse, A. E., & Warner, M. E. (2019). A Policy Outcomes Comparison: Does SIB Market Discipline Narrow Social Rights? *Journal of Comparative Policy Analysis: Research and Practice*, 22(2), 134–152. <https://doi.org/10.1080/13876988.2019.1609789>

Tse, A. E., & Warner, M. E. (2018). The razor's edge: Social Impact Bonds and the financialization of early childhood services. *Journal of Urban Affairs*, published early view. doi: 10.1080/07352166.2018.1465347.

Turner, T. (2011). Power in Collaboration: Advancing the Millenium Development Goals. *Harvard International Review*; Cambridge Vol. 33, Iss. 1, (Spring 2011): 74-77. [Online] <https://www.proquest.com/openview/f167f0345e5680611d904468c1058d06/1?pq-origsite=gscholar&cbl=32013> [01/11/21].

Tshikululu. (2019). A case for social impact bonds: Critical learnings for potential stakeholders. [Online] <https://tshikululu.org.za/wp-content/uploads/2019/01/Tshikululu-social-impact-bond-case-study.pdf> [As accessed on 20/11/23].

Umeonyirioha, E.I. (2020). The Bretton Woods International Financial Institutions: Perspective of the Underdeveloped States. *World Journal of Social Sciences and Humanities* 6(1):15-21. [Online] [https://www.researchgate.net/publication/338482584\\_The\\_Bretton\\_Woods\\_International\\_Financial\\_Institutions\\_Perspective\\_of\\_the\\_Underdeveloped\\_States](https://www.researchgate.net/publication/338482584_The_Bretton_Woods_International_Financial_Institutions_Perspective_of_the_Underdeveloped_States) [As accessed on 15/09/21].

United Nations (UN). (2022). RECOVERY FROM COVID-19 IN SOUTH AFRICA: A socio-economic analysis of pathways towards inclusive and sustainable growth. [Online] <https://southafrica.un.org/en/210195-recovery-covid-19-south-africa-socio-economic-analysis-pathways-towards-inclusive-and> [As accessed on 21/12/23].

United Nations (UN). (2019). South Africa's Voluntary National Review (VNR) Report. [Online] [https://sustainabledevelopment.un.org/content/documents/23402RSA\\_Voluntary\\_National\\_Review\\_Report\\_9\\_July\\_2019.pdf](https://sustainabledevelopment.un.org/content/documents/23402RSA_Voluntary_National_Review_Report_9_July_2019.pdf) [As accessed on 20/12/23].

United Nations (UN). (2018). Unlocking SDG Financing: Findings from early adopters. [Online] <https://unsdg.un.org/resources/unlocking-sdg-financing-findings-early-adopters>. [As accessed on 12/08/22].

United Nations (UN). (2015). Transforming Our World: The 2030 Agenda for Sustainable Development. [Online] <https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf> [As accessed on 01/11/21].

United Nations (UN). (2015). Addis Ababa Action Agenda - Sustainable Development Goals. [Online] <https://sustainabledevelopment.un.org/index.php?page=view&type=400&nr=2051&menu=35> [As accessed on 15/03/24].

United Nations (UN). (2012). Conference on Sustainable Development. [Online] <https://www.un.org/en/conferences/environment/rio2012> [As accessed on 16/09/21].

United Nations (UN). (2010). Innovative Financing for Development. General Assembly, Resolution 65/146. [Online] <https://www.un.org/esa/ffd/topics/innovative-finance.html> [As accessed on 16/09/21].

United Nations (UN). (2009). Innovative Financing Mechanisms and Solutions. [Online] [/https://www.un.org/sites/un2.un.org/files/innovative\\_fincancing\\_14\\_march.pdf](https://www.un.org/sites/un2.un.org/files/innovative_fincancing_14_march.pdf) [As accessed on 15/09/21].

United Nations (UN). (2008). Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus. [Online] [https://www.un.org/esa/ffd/wp-content/uploads/2014/09/Doha\\_Declaration\\_FFD.pdf](https://www.un.org/esa/ffd/wp-content/uploads/2014/09/Doha_Declaration_FFD.pdf) [As accessed on 16/09/21].

United Nations (UN). (2002). Monterrey Consensus of the International Conference on Financing for Development. [Online] [https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A\\_CONF.198\\_11.pdf](https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_CONF.198_11.pdf) [As accessed on 20/09/21].

United Nations (UN). (2000). Millennium Declaration. UN. General Assembly (55th sess.: 2000-2001). [Online] <https://digitallibrary.un.org/record/422015?ln=en&v=pdf> [As accessed on 01/11/21].

UN Department of Economic and Social Affairs (DESA). (2015). Briefing Note On The Addis Ababa Action Agenda. [Online] <https://www.un.org/esa/ffd/wp-content/uploads/sites/2/2015/07/DESA-Briefing-Note-Addis-Action-Agenda.pdf> [As accessed on 15/03/24].

United Nations Environmental Project (UNEP). (2006). Principles for Responsible Investment. [Online] <https://www.unpri.org/download?ac=10948> [As accessed on 15/09/21].

United Nations General Assembly (UNGA). (1961). United Nations Development Decade; A programme for international economic cooperation. [Online] <https://digitallibrary.un.org/record/204609?ln=en&v=pdf> [As accessed on 20/09/21].

United States of America (US government). (2009). Social Innovation Fund. [Online] <https://obamawhitehouse.archives.gov/administration/eop/sicp/initiatives/social-innovation-fund>. [As accessed on 24/03/24].

Van Breda, A. (2018). Developmental social case work: A process model. *International Social Work*, 61(1), 66-78. [Online] <https://doi.org/10.1177/0020872815603786> [As accessed on 25/10/21].

Van der Westhuizen, M; Swart, I. (2015). The struggle against poverty, unemployment and social injustice in present day South Africa: Exploring the involvement of the Dutch Reformed Church at congregational level. *Stellenbosch Theological Journal*, Vol 1, No 2, 731-759.

Verbruggen, S.; Christiaens, J.; Milis, K. (2009). Can resource dependence explain not-for-profit organizations' compliance with reporting standards? Hub Research Paper. *Economics and Management*.

Warner, M. (2020) Debate: Do SIBs make markets in the welfare system? Should they? For whom?, *Public Money & Management*, 40:3, 188-189, DOI: 10.1080/09540962.2020.1714296

Woolard, I; Harttgen, K; Klasen, S. (2010). The evolution and impact of social security in South Africa.

World Bank. (2022). The World Bank in South Africa. [Online] <https://www.worldbank.org/en/country/southafrica/overview> [As accessed on 20/09/23].

World Bank. (2021). Building back better from COVID-19, with a special focus on jobs. [Online] <https://documents1.worldbank.org/curated/en/161431626102808095/pdf/Building-Back-Better-from-COVID-19-with-a-Special-Focus-on-Jobs.pdf> [As accessed on 14/10/23].

World Bank. (2021). South Africa Economic Update: South Africa's Labor Market Can Benefit from Young Entrepreneurs, Self-Employment. *South Africa Economic Update*, 13 July.

World Economic and Social Survey. (2017). Reflecting on seventy years of development policy analysis. [Online] [https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/WESS\\_2017-FullReport.pdf](https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/WESS_2017-FullReport.pdf) [As accessed on 15/09/21].

Yiew, T.H; Low, E. (2018). Does foreign aid contribute to or impeded economic growth? *Journal of International Studies* 11(3):21-30. [Online] <http://dx.doi.org/10.14254/2071-8330.2018/11-3/2> [As accessed on 20/09/21].

Yin, R. K. (2009). *Case study research: Design and methods* (4th Ed.). Thousand Oaks, CA: Sage.

Yin, R. K. (2003). *Case study research: Design and methods* (3rd Ed.). Thousand Oaks, CA: Sage.

Young, D. R. (2000). *Alternative Models of Government-Nonprofit Sector Relations: Theoretical and International Perspectives*. *Nonprofit and Voluntary Sector Quarterly*.

Zedillo, E.; Al-Hamad, A.Y.; Bryer, D.; Chinery-Hesse, M.; Delors, J.; Grynspan, R.; Livshits, A.Y.; Osman, A.M.; Rubin, R.; Singh, M.; Son, M. (2001). *Recommendations of the High-level Panel on Financing for Development*, UN General Assembly. New York: United Nations.

# APPENDICES

## APPENDIX A: INVITATION TO TAKE PART IN RESEARCH

Good day,

My name is Ropafadzo Malvin Nhaitayi. I am currently a PhD. Student at the University of Cape Town, specialising in Social Development. I am doing research on Social Impact Bonds (SIBs) in South Africa. The research seeks to answer the question: **Do SIBs offer a viable alternative source of funding for the South African government in its advancement of social development?** As your organisation was involved in designing and implementing one, I would like to invite your organisation and people who meet the criteria below to take part in my research study:

- 1) *Have been working in the organisation for at least 5 years.*
- 2) *Were involved in either the setting up or implementation of the SIB or both.*
- 3) *Are in a managerial position.*
- 4) *Are knowledgeable/ experts on SIBs*

Participation in this study for your organisation or the selected persons is completely voluntary. This research study has been approved by the Ethics committee of the University of Cape Town. Any queries can kindly be directed to the researcher, Ropafadzo Malvin Nhaitayi via email: [NHTROP001@myuct.ac.za](mailto:NHTROP001@myuct.ac.za)

Sincerely,

Ropafadzo Nhaitayi – Researcher

Contact: [NHTROP001@myuct.ac.za](mailto:NHTROP001@myuct.ac.za)

## **APPENDIX B: CONSENT FORM**

*UNIVERSITY OF CAPE TOWN*



---

**FACULTY OF HUMANITIES**

**DEPARTMENT OF SOCIAL DEVELOPMENT**

### **CONSENT FORM FOR RESEARCH PARTICIPANTS**

#### **RESEARCH TOPIC**

Social Impact Bonds, the new kid on the block: A case study of Social Impact Bonds being implemented in South Africa as a new way to fund social development

#### **Research objectives**

1. To determine the key considerations when designing an SIB in South Africa.
2. To assess the challenges faced by the different role players when implementing an SIB.
3. To appraise the legislation that currently governs SIBs in South Africa.
4. To appraise the extent to which SIBs promote improved outcomes.
5. To explore the ways in which service providers are innovating in service delivery

#### **Participant's involvement**

- I voluntarily agree to participate in this research project, acknowledging that the objectives and nature of the study have been clearly explained to me and an opportunity availed for me to ask any questions I might have.

- I understand that I am under no obligation to participate in the research and can decide to withdraw at any stage.
- I agree to this interview being used for purposes of the research on condition that my privacy is respected.

Name of participant: .....

Name of researcher:

.....

Signature: .....

Signature:

.....

Date .....

Date:

.....

## APPENDIX C: ETHICAL APPROVAL

### UNIVERSITY OF CAPE TOWN



### Department of Social Development

University of Cape Town Rondebosch 7701 South Africa

Phone: +27-21-650-3483

E-mail: [taryn.powell@uct.ac.za](mailto:taryn.powell@uct.ac.za)

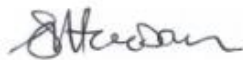
31 October 2022

*Student:*        **Ropafadzo Malvin Nhaitayi (NHTROP001)**

*Outcome:*      **ACCEPTED**

I am pleased to inform you that ethical clearance has been given by an Ethics Review Committee of the Faculty of Humanities for your study, *An exploration of Social Impact Bonds as a Social Development Strategy. A South African case study*. The reference number is SWK-REC-2022-SR016.

I wish you all the best for your study.



Yours sincerely  
Dr Shanaaz Hoosain  
Senior Lecturer  
Chair: Ethics Review Committee

---

The University of Cape Town is committed to policies of equal opportunity and affirmative action which are essential to its mission of promoting critical inquiry and scholarship.

# APPENDIX D: APPROVAL TO UNDERTAKE RESEARCH IN THE WESTERN CAPE



Social Development  
Directorate: Research and Information Management  
DSD REC Ethics Secretariat - [DSD\\_REC-Ethics@westerncape.gov.za](mailto:DSD_REC-Ethics@westerncape.gov.za)

Reference: 11/2/2/2

Enquiries: Clinton Daniels/Petro Brink

R. Nhalayyi

Flat 388, Grand Central

227 Main Road

Wynberg

Dear Mr Nhalayyi

## RE: APPROVAL TO UNDERTAKE RESEARCH IN THE WESTERN CAPE DEPARTMENT OF SOCIAL DEVELOPMENT

1. Your request for ethical approval to undertake research in respect of **'An exploration of Social Impact Bonds as a Social Development Strategy. A South African case study'** refers.
2. Kindly note that your application, was found to meet the ethical requirements of the Department's Research Ethics Policy, subject to the conditions stipulated below:
  - That the Secretariat of the Research Ethics Committee be informed in writing of any changes made to your research design after approval has been granted and be given the opportunity to respond to these changes.
  - That ethical standards and practices as contained in the Department's Research Ethics Policy be maintained throughout the research study, in particular that informed consent (written or recorded) be obtained from participants.
  - The confidentiality and anonymity of participants, who agree to participate in the research, should be maintained throughout the research process and should not be named in your research report or any other publications that may emanate from your research.
  - The Department should receive a copy of the final research dissertation and any subsequent publications resulting from the research.
  - Please note that the Department cannot guarantee that the intended sample size as described in your proposal will be realised. Access to the participants of your study should be negotiated through relevant Senior Managers.

1

- The requirements of the Protection of Personal Information Act, no 4 of 2013 must be adhered to during your research process.
  - **This approval is valid for a period of 12 months from the date of final approval as indicated on this letter.**
  - A progress report regarding the status of your research must be submitted to the REC Secretariat one month prior to the date on which the REC approval expires. If data collection has not been completed within this period, it is your responsibility to timeously submit a request for an extension of this approval.
- 3. The Secretariat must be notified once you have completed data collection in the Department.**
- Failure to comply with these conditions can result in this approval being revoked.
  - Please provide written acceptance of these conditions and recommendations within 5 working days of the receipt of this letter.

Yours sincerely

Marion Johnson Digitally signed by Marion Johnson  
Date: 2023.09.20 09:58:45 +02'00'

M. Johnson

Chairperson: Research Ethics Committee

## **APPENDIX E: INTERVIEW SCHEDULE: GENERAL**

Topic:

Social Impact Bonds, the new kid on the block: A case study of Social Impact Bonds being implemented in South Africa as a new way to fund social development.

Overall Aim:

This research seeks to examine the two Social Impact Bonds that have been designed and are being implemented in South Africa.

Main Research question:

Do SIBs offer a viable alternative source of funding for the South African government in its advancement of social development?

Secondary research questions:

- i. What are the key considerations when designing an SIB in South Africa?
- ii. What are the challenges faced by the different role players in implementing a SIB?
- iii. What is the current legislation that governs SIBs in South Africa and how can the legislation be made more effective?
- iv. To what extent do SIBs promote improved outcomes?
- v. In what ways are service providers innovating in service delivery?

## **SECTION A: GETTING TO KNOW THE INTERVIEWEE [All respondents]**

(Note: Interviewer to contract around confidentiality, use of tape recorder, and introduce self and research topic).

*This research seeks to examine the two Social Impact Bonds that have been designed and are being implemented in South Africa. Participation in this study is completely voluntary. The researcher will ensure that the right of privacy is respected and protected by guaranteeing confidentiality as well as ensuring that the names of participants will not appear in the study. The researcher will make use of a cellphone to record the interview. If the respondent is not comfortable with being recorded, they can notify the researcher.*

Age: \_\_\_\_\_

Gender: \_\_\_\_\_

Race: \_\_\_\_\_

1. What is your role in the organisation?
2. How long have you been working for the organisation?
3. How long have you been in this role?
4. Which SIB were you involved in?

## **SECTION B: SIB DESIGN CONSIDERATIONS**

1. What is your understanding of traditional funding approaches for social development in South Africa
2. What is your definition of an SIB?
3. In your opinion, what are the key considerations when designing an SIB in South Africa?
4. What were the motivations for your organisation to be involved in this setup?

### **SECTION C: BENEFITS OF AN SIB SETUP**

1. What are the benefits of SIBs?
2. Would you consider the SIB that was implemented a success?
3. In what ways could SIBs design and implementation be improved?

### **SECTION D: CHALLENGES**

1. What are the challenges faced by the different role players in designing and implementing an SIB in South Africa?
2. What are the risks associated with SIBs?
3. In what way did Covid-19 impact the implementation of the SIB?

### **SECTION E: SIB LEGISLATION**

1. What do you know about the legislation that governs SIBs in South Africa?
2. How can the legislation be made effective?

## **APPENDIX F: INTERVIEW SCHEDULE: EXPERTS**

### **SECTION A: GETTING TO KNOW THE INTERVIEWEE**

1. What is your role in the organisation?
2. How long have you been working for the organisation?
3. How long have you been in this role?

### **SECTION B: SIB DESIGN CONSIDERATIONS**

4. Traditional funding approaches for social development in South Africa
5. Factors leading to a rise in innovative financing/SIBs
6. Key considerations when designing an SIB.
7. Benefits, risks and challenges of SIBs.
8. IBIF and B4J performance.
9. Covid-19 and SIB implementation
10. Improving SIBs design and implementation.
11. SIB legislation in South Africa
12. The future of SIBs in South Africa

## **APPENDIX G: SUSTAINABLE DEVELOPMENT GOALS**

The sustainable development goals (SDGs) are:

*Goal 1: No poverty*

*Goal 2: Zero Hunger*

*Goal 3: Good health and Well-being*

*Goal 4: Quality Education*

*Goal 5: Gender Equality*

*Goal 6: Clean Water and Sanitation*

*Goal 7: Affordable and Clean Energy*

*Goal 8: Decent Work and Economic Growth*

*Goal 9: Industry, Innovation, and Infrastructure*

*Goal 10: Reduced Inequality*

*Goal 11: Sustainable Cities and Communities*

*Goal 12: Responsible Consumption and Production*

*Goal 13: Climate Action*

*Goal 14: Life Below Water*

*Goal 15: Life on Land*

*Goal 16: Peace and Justice Strong Institutions*

*Goal 17: Partnerships to achieve the Goal.*