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At a cost: a review of the public accountability risks of Social Impact Bonds

Abstract

Social Impact Bonds (SIBs) have gained popularity as an alternative financing method for public services. SIBs promise to have lower risks for public budgets than traditional approaches. However, integrating private finance instruments into established public accountability procedures is notoriously difficult. Through a systematic review of the empirical research on implemented SIBs, this article examines those public accountability concerns. The results indicate that narratives of a new, more horizontal way of holding organisations accountable should not be accepted too easily. Risks are identified in the literature in four public accountability dimensions: transparency, controllability, responsiveness, and liability. Accountability safeguards will need to centre on establishing detailed procedures that precisely delineate the role of each actor, building effective platforms for both gathering and sharing information, and adequately transferring risks. At the same time, these safeguards could come at the cost of the attractiveness of the instrument for investors, creating a catch-22 in which making the SIB a sustainable model of service delivery at the same time may undermine its viability.

Keywords: social impact bonds; payment-by-results; pay-for-success; public accountability

Points for practitioners

- To address public accountability risks, practitioners can focus on establishing procedures that clearly define the roles of each actor involved in the SIB, creating effective platforms for gathering and sharing information between partners and making sure that financial risks are adequately transferred to private partners.
- At the same time, implementing safeguards for public accountability may prove challenging, as it increases transaction costs and undermines the attractiveness of SIBs for all actors.
- Administrations should use SIBs sparingly and transition from multiplex SIBs to two-party contracts once programs prove effective.

1. Introduction

The Social Impact Bond (SIB) is one of the most prominent new instruments in the trend for mobilizing private capital for public goals. Rather than being prototypical 'bonds', SIBs resemble a new type of public-private partnership in financing and delivering public services (Fraser et al. 2021). SIBs involve investors to fund innovative interventions by provider organizations. Government payments to investors are contingent upon the successful achievement of predetermined societal impacts, offering investors potential profits (Millner & Meyer, 2022). SIBs promise greater societal involvement and reduced financial risks to public budgets (Social Finance, 2009). After sparking interest in the UK, US, and Australia, the SIB is gradually becoming a part of the public finance toolbox (Andersen et al., 2020; Care & De Lisa, 2019; Edmiston & Nicholls, 2018; Ogman, 2020).

However, preserving public accountability is crucial to fostering durable partnerships between public agents and private stakeholders. Distorted incentives from private actors can disrupt democratic safeguards (Ortiz et al., 2008; Wang et al., 2018). Without good governance practices, the introduction of private financing instruments might not serve the public interest (Gielen et al., 2017). At the same time, integrating private finance instruments into traditional processes of public accountability often proves difficult (Sands et al., 2019; Willems & Van Dooren, 2012).

This review examines the public accountability risks posed by SIBs based on extensive literature from over a decade of empirical research. The next sections first describe the SIB model, public accountability framework and our methodology. The result and discussion section contribute empirically by identifying public accountability risks in an array of cases described in the literature and conceptually by clustering these risks, providing a consolidated perspective on the diverse facets of public accountability issues across policy domains and countries in the first SIB generation and their implications for future SIB commissioning.

2. Social Impact Bonds

a. The SIB model

SIBs are 'payment-by-results' or 'pay-for-success' contracts that attract private investors to public policy domains traditionally considered out of the realm of financial market logic, such as social services, environmental care, or humanitarian assistance. Responsibilities shift between the public and private sector:

1) Public goal-setting: First, a public agency sets a policy goal that calls for an innovative approach. Targets are formulated and quantified in terms of expected impact (e.g., getting 200 people back to work). A coalition of private partners is brought together by an intermediary to negotiate on targets, measurements, and pay-out clauses. Involved parties may include a service provider, a social entrepreneur or investor, and an independent auditor for legitimacy (Arena et al. 2016; Maier & Meyer 2017; Millner & Meyer 2022; Smeets 2017).

2) Private finance and provision: During implementation, a 'black box approach' is followed: it is the service provider that chooses which interventions to make, while governmental control remains limited (Warner, 2013; Sinclair et al., 2021). Social

entrepreneurs or investors provide the upfront capital to cover the costs of the project (Maier & Meyer, 2017).

3) Public outcome-based repayment: The investors' return depends on the project's actual societal impact (McCallum & Viviers, 2021). If the program exceeds expectations (e.g., 210 unemployed people from the target group now have a job, versus the target of 200), the public agency pays out a predefined contingency fee to the investors. When the intervention however does not meet certain targets (only 190 found a job), the investors are not compensated.

The SIB model reminds of more common collaborative models, most notably contracting and public-private partnerships (PPP) (Warner, 2013). The difference between SIBs and contracting is evident: while traditional contracts outline the inputs and outputs that a party should deliver, the SIBs foster multiplex collaborations centred on the societal impact projects should achieve. SIBs and PPPs are more alike. Both create complex partnerships for public policy interventions and emphasise clear metrics for returns (Kettl, 2000; Kickert et al., 1997; Warner, 2013). The models nevertheless differ on four points. First, their purposes diverge, with PPPs used for large-scale infrastructure or wide-ranging services and SIBs focused on specific societal challenges, especially in social, environmental, or healthcare domains. Secondly, SIBs prioritise measurable societal impact instead of service inputs and outputs (Edmiston & Nicholls, 2018; Del Giudice & Migliavacca, 2019; Joy & Shields, 2018), a difference that equally sets SIBs apart from contracting out. Thirdly, SIB projects are typically shorter, seeking short-term measurable results, while PPP contracts can span decades (Warner, 2013). Lastly, PPPs involve more government oversight, whereas SIBs are perceived as more hands-off, with the government's role limited to setting outcomes and assessing results.

b. Practical implementation

In 2010, the UK's Ministry of Justice for the first time applied the model to address high reoffending rates at the East-England *HM Prison Peterborough*. The goal was to reduce recidivism by 7.5% for 2,000 offenders a year after release, compared to a control group. The SIB raised £5 million from investors to finance the *One* Service*, a comprehensive five-year program addressing diverse post-prison needs. Social Finance managed the project, while various organizations were involved in carrying out the program. It achieved a 9% reduction in reoffending rates, so investors received their initial capital plus a predetermined annual return of just over 3% (Social Finance, n.d.), exemplifying the "win-win-win" perspective of SIBs: evading innovation risks for public agencies, testing unconventional interventions for providers, and offering profit opportunities for investors.

The SIB reflects the collaborative trend between the public and private sectors in public service delivery prevalent over the preceding decades. New Public Management emphasised a result-driven approach and the effectiveness of the private sector (Forrer et al., 2010; Savas, 2000; Warner, 2013), leading governments to prefer procurement instruments relying on private sector expertise. The SIB concept aligned with this prevailing zeitgeist, offering the promise of greater efficiency with fewer resources.

Unsurprisingly, the new instrument thus caused a considerable buzz in policy circles (Carter, 2021). The idea quickly spread from Anglosphere countries to nations worldwide. As of July 2023, the Government Outcomes Lab's database documents 282 SIB cases across 38 countries. High-income countries remain frontrunners, with the UK having 94 SIBs, followed by the US (28), Portugal (23), Japan (18), the Netherlands (18), and Australia (15). Some cases even expanded into subcategories, such as Health Impact Bonds (48) and Environmental Impact Bonds (5) (Arena et al., 2016; Clifford & Jung, 2016; Den Heijer & Coppens, 2023; Maier & Meyer, 2017). The issuance of new SIBs experienced a gradual increase over the years, reaching a peak of 44 in 2018, followed by a subsequent decline to 14 in 2022 (GOLab, n.d.).

c. Theoretical reflections

Meanwhile, academic theorization on the SIB instrument contrasts the optimistic narrative in policy circles with a more critical perspective. First, SIBs are seen as an expansion of NPM doctrine into new policy domains. The heavy reliance of SIBs on the contract management and performance measures is not seen fit in complex service contexts. Moreover, the design of the SIB is seen to permit some of the same design flaws and high transaction costs associated with contracting out and PPP (Warner, 2013). A systematic review of narratives in the SIB literature published in 2016 shows that the scepticism persisted in later theoretical work (Fraser, 2018), with authors claiming that the perceived benefits of the SIB approach are more speculative than supported by actual observations (Albertson, 2020; Fox & Morris, 2019; Rijpens et al., 2020; Tan, 2021,). Sinclair et al. (2021) conclude that the "basis for enthusiasm for SIBs is not empirical but ideological".

The emergence of SIBs has also been associated with neoliberal philosophies and processes of financialization (Dowling, 2016; Joy & Shields, 2018; Warner, 2013). Critics contend that SIBs introduce a calculative logic into public service delivery, deconstructing state services into tradable derivatives (Bryan & Rafferty, 2014) and recommodifying service users' needs into revenue sources (Sinclair et al., 2021). Consequently, ethical concerns are raised (Morley, 2017; Lavinas, 2018). SIBs are even associated with a retreat of the welfare state (McHugh et al., 2013; Dowling, 2016).

Recent works use governance theories to reframe the discussion around the erosion of state presence. Berndt and Wirth (2018) challenge the portrayal of the state as absent, emphasizing instead its role in enabling government control "at-a-distance" through calculative devices. Guter-Sandu (2021) highlights the dichotomy between the state's "stepping back" as the principal provider of welfare and its "stepping into" the network of welfare actors that emerges after its withdrawal. Much like in the context of PPPs and outsourcing, the state assumes the role of "steering" rather than "rowing", implying a more marketized form of public accountability.

The impact of SIB on public accountability has received less attention. The "very few literature reviews" (Moldogazi et al. (2022) on SIBs study the diverse "narratives" (Fraser, 2018), "perspectives" (Tan, 2021), and "arguments" (Rijpens et al., 2020) that the SIB literature generated. One notable exception is the empirical work on two UK-based SIBs by Carter (2021), who indicates that public accountability mechanisms more accurately resemble a hybrid of market and network dynamics, with an emphasis on trust-based, relational network governance as a distinguishing and crucial SIB feature (Carter, 2021). Overall, an encompassing assessment from a public accountability perspective is lacking.

3. Public accountability framework

Public accountability is considered the "hallmark of modern democratic governance" (Bovens, 2005; Mulgan, 2000) and "cornerstone of successful public management" (Forrer et al., 2010). However, its conceptual boundaries remain unsettled. Historically, public accountability in most Western democracies was established through hierarchical political and organizational procedures (Bovens, 2005). With the emergence of the New Public Management and later New Public Governance philosophies around the turn of the century, public administration scholars argued that the top-down models no longer fit the "self-organizing inter-organizational networks" (Rhodes, 1996) that are characteristic of contemporary governance (Bovens, 2007; Klijn & Koppenjan, 2012; Mulgan, 2000; Schillemans, 2008; Sullivan, 2003; Willems & Van Dooren, 2011).

Concerns about "accountability gaps" (Mulgan & Uhr, 2000) and "democratic deficits" (Frederickson, 2004; Rhodes, 2000), have been countered by proponents arguing that accountability is displaced rather than being eroded (Willems & Van Dooren, 2012). Hodge (2004) describes how parliamentary accountholders today share the stage with a new set of managerial, market, and regulatory "accountability guardians", each with their own tools to hold government accountable. Traditional control measures grafted onto vertical hierarchical relations, are thereby replaced by accountability levers that are more adapted to horizontal relations (Forrer et al., 2010). Public accountability is said to shift from top-down control towards "notions of responsibility, responsiveness, and the fostering of democratic ideals" (Agranoff & McGuire, 2001). Koppell (2003) explains what the new kind of public accountability could look like in practice. In his view, public accountability is attained through one or more of the following dimensions: controllability, transparency, liability, responsibility, and responsiveness.

This study examines empirical work on SIBs, focusing on four fundamental notions of present-day public accountability: controllability, transparency, liability, and responsiveness – as defined by Koppell (2003). The holistic approach recognises distinct roles played by multiple processes in establishing public accountability across diverse service delivery modes (Willems & Van Dooren, 2012). First, public accountability in SIBs can be accomplished through *controllability*. Delegating power to government agencies allows them to control the actions of other partnership actors, fostering direct hierarchical public accountability in dynamic arrangements like SIBs. Secondly, *transparency* – ensuring public availability of information to prevent hiding mistakes or actions – serves as a foundation for accountability processes (de Jesus Martins & Olivieri, 2019). In collaborative governance, reporting standards enable governments to provide direct accountability of service providers to the public (Bracci et al., 2015). Thirdly, public accountability in SIBs could be realised through *liability*, holding private actors accountable for their performance by linking financial risk to their actions. Lastly, public accountability can also be achieved when SIB projects show *responsiveness* to the direct expressions of public needs and desires (being responsive to demands) over the preferences of elected intermediaries (obedience to commands), enabling more horizontal forms of public accountability (Koppell, 2003). At the same time, the chosen framework also addresses some of the concerns about conceptual ambiguity and the challenge of operationalizing public accountability (e.g., Bovens, 2007). Thus, subjective dimensions like responsibility are excluded to avoid overstretching the concept and introducing subjectivity in the analysis. Assessing moral, ethical, and legal responsibilities, which vary across different local contexts, is beyond the intended scope and attainability of this review.

4. Review method

As the first SIB programs have now come to an end, a review of the empirical research provides an indication of the impact that these SIBs have had on the public's ability to maintain accountability. A literature review serves to add a new dimension to the existing knowledge (Jesson et al., 2011). The review was conducted systematically to evade bias in the inclusion of studies (Auger, 2008) and enhance the trustworthiness of the conclusions (Gough, 2017).

The literature search followed three stages. First, search terms for the SIB instrument were defined through a preliminary scoping review. The scoping review was based on a strategy of "pearl growing", in which index terms and keywords of the ten most cited SIB articles, the "gold standard" papers for the instrument, were taken as search terms (Schlosser et al., 2006). These search terms were then tested in databases on their relevance, and adjustments were made to avoid unnecessarily broadening the search. The final search terms (see figure 1) were entered in the databases *Web of Science* and *Scopus* on May 22, 2022, with no limitation on time or domain.

The second stage involved applying three types of inclusion criteria. First, the focus of the article had to be on a type of SIB, including variants such as Environmental Impact Bonds and Health Impact Bonds. Development Impact Bonds were not included as these "private-private partnerships" are not centred on public service provision and do not involve public authorities (Alenda-Demoutiez, 2020). Secondly, only empirical studies were considered, except for the purely financial-economic calculations with limited governance implications. Lastly, studies had to be peer-reviewed and in English. An overview of the selection process is given in figure 1.

An extensive procedure of accumulative coding followed in the third stage. First, we screened all texts on large subthemes of issues that risked undermining one of the four public accountability dimensions. All articles were thereafter closely read and relevant extracts were coded into these dimensions. Extracts merged into aggregate topics, and a list of accountability risks was formed. Each time a risk was identified, previously read papers were searched to see if any of these risks could be identified there as well.

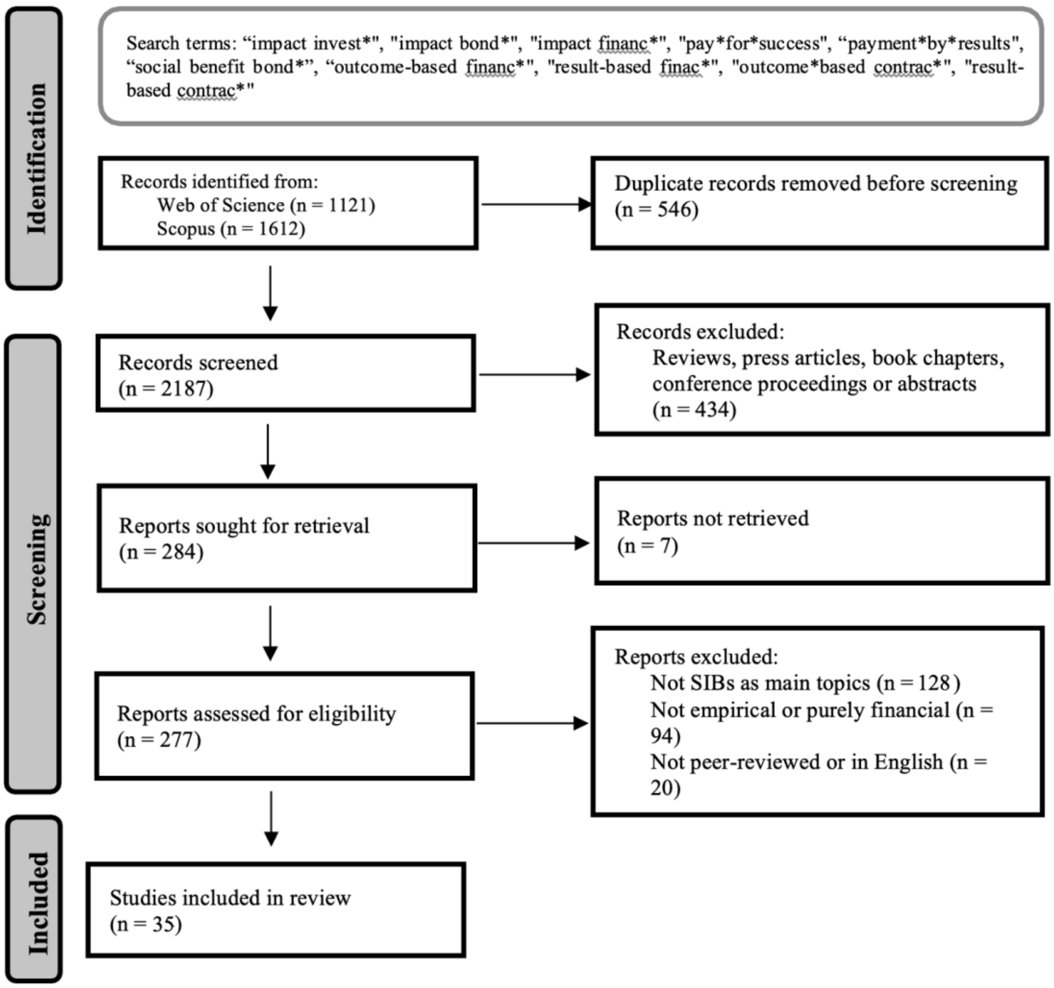

Figure 1. Overview of the systematic review process

5. Results

The empirical literature on implemented SIBs reveals dynamics that risk undermining public accountability in each of the four discussed dimensions (Table 1). Next, table 2 displays where these risks figure in the included literature on SIBs. We hereafter elaborate on the implications of each of the risks.

PA dimension	**Function**	**Definition (Koppell, 2003)**	**Identified risks**
Transparency	Foundational	Do SIB actors reveal the facts of their performance?	1. Inadequate data gathering 2. Hampered data sharing
Controllability	Instrumental	Do SIB actors do what the commissioner desires?	3. Win-lose negotiating 4. Obscuring complexity
Liability	Instrumental	Do SIB actors face consequences for their performance?	5. De-risking 6. Exiting strategies
Responsiveness	Indicative	Do SIB actors fulfil the substantive expectations of society?	7. Gaming practices 8. Symptomatic treatment

Table 1. Identified risks in the SIB literature in four fundamental dimensions of public accountability

First author	Year	Researched SIBs	Transparency	Control	Liability	Responsiveness
Andersen	2020	Growth with a Social Bottom Line PBR (Denmark)	1, 2	3		
Andreu	2018	London Homelessness SIB (UK)				8
Becchetti	2021	Made in Carcere Project; The Health Budget (Italy)	2			
Berndt	2018	UK SIB market (UK)			5	
Broccardo	2019	HMP Peterborough; Rikers Island SIB (UK)				8
Broom	2020	Documents related to SIBs produced by actors at federal and state level (Australia)		3		
Carè	2019	Heart and Stroke SIB; Mental Health and Employment SIB; Reconnections SIB; Ways to Wellness SIB (UK)		3		
Carè	2020	Experts in SIB projects and implementation		3		
Carter	2021	Work Programme SIB; Innovation Fund SIB; Ways to Wellness SIB (UK)				7
Nazari Chamaki	2019	Be Active SIB (UK); Wyman Center Teen Outreach Program SIB (US)	1			
Cooper	2016	London Homelessness SIB (UK)		3,4		
Dixon	2021	Documents from unnamed 25 UK SIBs (UK)	1	3,4	5,6	7
Edmiston	2018	Essex Multi-Systemic Therapy SIB; Merseyside New Horizons SIB; London Homelessness SIB (UK)			5, 6	7
FitzGerald	2019	Department for Work and Pension's Innovation Fund; HMP Peterborough SIB (UK)	1	4		7
Fraser	2021	Two unnamed SIBs with focus on end-of-life care and social prescribing services SIB (UK)		3		
French	2021	A major UK SIB health-based SIB focused on improving the Social Determinants of Health (UK)				
George	2020	A SIB funded project which works with long-term entrenched rough sleepers in the East of England	1	3		
Hevenstone	2020	Organizations in SIBs (Austria, Switzerland, Germany, The Netherlands, UK)	2	3		
Humpage	2020	SIBs for improving indigenous outcomes (New Zealand)				8
Jamieson	2020	Unnamed SIB with a focus on social determinants of health (UK)	2		6	
Kosmynin	2020	SIB with the social venture Nature Magic (Norway)				
La Torre	2019	NYC Able SIB, Koto SIB; Newpin SIB; Perspektive:arbeit SIB (US)	2	3	6	
Lehner	2019	Documents produced by case-selected actors in the impact industry				
Millner	2022	Economic and social empowerment for women affected by violence (Austria)		3	6	
McCallum	2021	South-African SIB market (South-Africa)	1		6	
Mollinger-Sahba	2021	Seven unnamed SIBs by local governments (Australia)				
Neyland	2019	Unnamed SIB focused on children at risk of abuse (UK)	1			
Ogman	2020	HMP Peterborough SIB; The New York SIB (UK, US)		3	5	
Pandey	2018	Social Innovation Financing Youth Recidivism Project (US)	2	3	5, 6	
Phillips	2019	Non-profits and intermediaries in affordable housing and community economic development (Canada)	2		6	
Riot	2020	Two SIBs in the field of 'children in danger'		3		
Smeets	2017	The Colour Kitchen SIB (The Netherlands)		3,4		
Tse	2020	South Carolina Nurse–Family Partnership PFS Project; Utah High Quality Preschool Program; Chicago Child–Parent Center PFS Project (US)				7
Williams	2020	SIB economy actors (Canada, US, UK)		3		
Wirth	2020	Fair Chance Fund SIB (UK)			5	8

Table 2. Public accountability risks in the included studies on Social Impact Bonds (Numbers correspond with Table 1)

1) Transparency: do SIB actors reveal the facts of their performance?

The data-driven character of SIBs fits the wider trend towards a stronger monitoring and outcome evaluation (Alenda-Demoutiez, 2020). Yet, the promise of increased transparency is tempered by several studies on implemented SIBs. Inadequacies in the gathering of data on SIBs (risk nr. 1) and barriers to sharing data between partners (risk nr. 2) risk inhibiting SIB data from flowing into the public realm.

Risk nr. 1: Inadequate data gathering

Although SIBs are advocated for enhancing insight into the efficiency of government programs (Fraser et al., 2021), seven of the reviewed studies show how data gathering for impact evaluations failed in several respects. First, the impact of interventions in SIBs turned out hard to assess due to the poor validity and viability of benchmarking in SIB contracts (Edmiston & Nicholls, 2018) and the lacking reporting standards on social and environmental impact (McCallum & Viviers, 2021). As a result, SIB evaluations often portrayed interventions as qualitative successes, even when no evidence could be found that beneficiaries were better off than a control group. Dixon (2021) for example describes how the *Essex SIB*, a program that through family therapy aimed to reduce the number of days that children spend in out-of-home care, triggered pay- outs for investors. Yet, as numbers of children entering the care system dropped nationally over the implementation period, it was far from certain that results in Essex could be attributed to the SIB program.

Secondly, the assumption that the limited data points used for payment can accurately reflect the actual social, environmental, or health impact is criticised. The financialised metrics in SIB contracts often proved insufficient to measure impact on complex lives and societies (Humpage, 2020; Tse & Warner, 2020). Out of the four SIBs studied by La Torre et al. (2019), only one was intended to evaluate how measurements could be attributed to interventions, while data gathering in the other three SIBs only served management information needs. Data measurements were often no more than "a mere shadow of the effectiveness" of SIB programs (Jamieson et al., 2020).

Risk nr. 2: Hampered data sharing

Even when SIB projects resulted in extensive data gathering, seven articles indicated that the dissemination of that information to the public was not guaranteed. Data sharing was first impeded by the tendency of SIB evaluations to only report aggregated information. Commercial sensitivities prevented private actors from disseminating microdata on interventions and costs (FitzGerald et al., 2019; Hevenstone & von Bergen, 2020).

Secondly, SIB partners showed several perverse incentives for withholding information (Hevenstone & von Bergen, 2020; Warner, 2013). Already during the contract negotiations, financiers were interested in exaggerating calculations of the expected risks of projects to increase result-based returns or achieve them more easily (Becchetti et al., 2021; Cooper et al., 2016). Service providers overstated project costs to boost their revenues (Becchetti et al., 2021) and to inflate results for triggering payments (Pandey et al., 2018). But the risks pertain to public actors as well. Politicians and administrations can feel the need to justify the involvement of private sector partners and the time and effort that SIB projects took. In an attempt to better control the message on these – still controversial – SIBs, governments were seen to contractually restrict which information partners can share with the public (Hevenstone & von Bergen, 2020). Evaluation reports were polished in order not to jeopardise future opportunities for collaboration (Becchetti et al., 2021; Dixon, 2021).

Additionally, technicalities barred SIB actors from sharing data with project partners and the public. Impact measurements failed as information systems did not take the organizational differences of the SIB partners into account. Data exchange systems were unable to store and retrieve essential project information and actors started to keep local records to fill the gaps (Jamieson et al., 2020). Andersen, Dilling, and Hansen (2020) show how non-governmental organizations in a Danish job program SIB struggled with requesting data from cumbersome public information systems. The data on interventions was not stored separately from other employment programs. SIB partners each time had to request a contact person within the administration to search for the needed information. Furthermore, personal information on project participants could not be shared with partners once a participant was employed, making insights into the long-term effects of the SIB interventions impossible. SIB partners raised concerns about the accuracy and comprehensiveness of the collected data (Andersen et al., 2020).

2) Controllability: Do SIB actors do what the commissioner desires?

At first sight, the ability of the commissioner to hierarchically direct the actions of SIB partners is hampered by the large flexibility that is granted to investors and service providers to decide on the nature of the interventions (referred to as the “black box”) (Sinclair et al., 2021). Authors counter this argument by pointing to new forms of control. Public authorities may maintain a vital role in SIB coalitions by exercising control “at-a-distance” and rewarding or sanctioning the measured social impact that projects achieve (Berndt & Wirth, 2018; Edmiston & Nicholls, 2018). Principal-agent problems are said to be mitigated when the public commissioner and the SIB partners co-decide upon the measurement of operations before the start of the project, and meticulously define what consequences each of the partners will face for which result (Edmiston & Nicholls, 2018; La Torre et al., 2019). The a priori built-in steering mechanisms would enable public actors to exercise control in “autopilot mode” once a project starts, as contractual terms schedule automatic consequences for results. Two risks arise from the literature on SIBs that may inhibit such automated control from materialising. The ability to control the actions of SIB partners risks being lost in negotiations (risk nr. 3) and complexity (risk nr. 4).

Risk nr. 3: Win-lose negotiating

A total of 16 articles indicates twisted negotiation dynamics that hindered public actors from designing SIB contracts in a way that full outcome-based control was attained. As such, SIB negotiations were not necessarily headed for the promised win-win outcome. The inter-organizational frameworks of SIBs turned out to be the setting for "constant battlegrounds for negotiations", where one party's gains often were another party's losses (Andersen et al., 2020).

Both service providers and investors were heavily involved in drafting SIB contracts (Broom, 2021; Care et al., 2020). However, their motivations and interests did not necessarily align with the public commissioner (Care et al., 2020; Hevenstone & von Bergen, 2020; Pandey et al., 2018; Smeets, 2017). The views of non-profit organizations on methods and measurement often collided with the frame of reference and know-how on policy work of public agencies (Care et al., 2020; Fraser et al., 2021; Ogman, 2020; Riot, 2020; Williams, 2020). Government propositions were dismissed as "non-expert" reasonings (Cooper et al., 2016) and replaced with easier-to-achieve goals (Hevenstone & von Bergen, 2020) or methods of measurement that better suited the customs and habits of the providers (Cooper et al., 2016). Similarly, investors steered contract terms away from public commissioners' intentions to minimise risks and maximise returns (Williams, 2020). When SIB partners were involved already at the stage of determining basic contractual terms, commissioners were left with "fewer direct performance levers to pull" (Dixon, 2021; Millner & Meyer, 2022)

Risk nr. 4: Obscuring complexity

The conflicting interests and organizational differences of the SIB partners can create a complexity in SIB contracts that makes them hard to oversee (C. FitzGerald et al., 2019; Smeets, 2017). When civil servants were not extensively involved during the negotiations or were replaced after the negotiations (Smeets, 2017), government agencies in the researched SIBs saw losses in control as they simply lost touch with the voluminous and multiplex SIB contracts. Illustratively here, Cooper et al. (2016) note that the interviewed senior local authority employees in the *London Homelessness SIB* were unaware of the most foundational contractual stipulations of the SIB, such as the interest rate and the fact that the service provider would set up a separate limited company to carry the debt (Cooper et al., 2016). The four evaluations suggest that the complexity of fiercely negotiated SIB contracts can turn the idea of substituting a control "over the process" by a form of "outcome-based" control into a distant mirage.

3) Liability: Do SIB actors face consequences for their performance?

SIBs connect automated financial rewards and penalties to the performance of the underlying projects. Theoretically, consequences are thus at the heart of the instrument. However, issues arise when risks are inadequately transferred to non-governmental actors because of de-risking (risk nr. 5) or exiting strategies (risk nr. 6).

Risk nr. 5: De-risking

Seven studies demonstrate how SIB investors actively strive to reduce the financial risks of underperforming projects. Income streams are seen to be made more predictable to bring SIBs closer to full market-based risk-return ratios (Berndt & Wirth, 2018; Maier & Meyer, 2017). Outcome targets are designed to prioritize the interest of investors rather than beneficiaries, leading to diminished liability. Authors report on SIB payments being triggered at a moment when it is not yet possible to assess the real impact of the project (Wirth, 2020) or when the effects on beneficiaries have been limited (Dixon, 2021). If so, public budgets effectively are left to foot the bill for underperforming SIBs. Ogman (2022) points out that contrary to the basic risk-sharing rationale of SIBs, financial gaps in the *HMP Peterborough SIB* in the UK and the *New York SIB* in the US were covered by taxpayer money. Risks are reduced through non-profits co-investing equity (Edmiston & Nicholls, 2018) or by incorporating favorable loan terms into the contracts (Pandey et al., 2018).

Risk nr. 6: Exiting strategies

Liability is further undermined when SIB actors manage to negotiate an early way out of underperforming SIBs. Eight studies display how negotiated exiting strategies can allow bankers to overcome the illiquidity of the SIB asset class and leave the sinking ship before facing larger financial consequences. Underperforming projects can in this way be terminated along the way, while the costs for public agencies and departments of setting up the SIB cannot be recovered (McCallum & Viviers, 2021). Exiting strategies come through the creation of corporate vehicles to isolate financial risk. Many authors illustrate how researched SIBs employed Special Purpose Vehicles, often to reorganise relationships between the different organizations involved and shield investors from liabilities (Dixon, 2021; Edmiston & Nicholls, 2018; Jamieson et al., 2020; La Torre et al., 2019; Millner & Meyer, 2022; Pandey et al., 2018). Concerningly, Philips and Johnson (2021) demonstrate that impact investors are encouraging governments to create specialised corporate structures for the SIB instrument.

4) Responsiveness: Do SIB actors fulfil the substantive expectations of society?

SIBs are believed to respond efficiently to societal needs by establishing a responsive market for public goods and avoiding cumbersome procedures or path dependencies. However, gaming practices can shift the focus of the service provision towards meeting payment criteria rather than fulfilling societal demands (risk nr. 7), and the instrument's design can make SIBs responsive to symptoms rather than to their causes (risk nr. 8).

Risk nr. 7: Gaming practices

Five studies show that inadequately designed SIBs prove to be a playground for gaming practices. Certain SIBs witnessed service providers resorting to measures of "cherry picking" or "creaming". Those beneficiaries that are already closest to achieving the outcome targets of the contract were given services, while the most challenging cases are left outside the cohort (Carter, 2021). Additionally, SIB partners resorted to "parking" those cases that did not yield immediate results (Neyland et al., 2019). Interviewed service providers of the UK-based *Fair Chance Fund SIB* admitted prioritizing beneficiaries that were close to ticking a payment-triggering box, over cases that needed more help. To accommodate this practice, subjects were internally categorized into groups based on the team's perceived likelihood of achieving success with them (Wirth, 2020). Only those subjects that require need the least are helped, and the responsiveness to the demands of society further deteriorates. Public commissioners tried to build procedural safeguards through the compulsory assignment of participants to randomly allocated service providers (Carter, 2021) or by giving a detailed definition of the cohort in the SIB contract (C. FitzGerald et al., 2019).

Risk nr. 8: Symptomatic treatment

Secondly, the expectations of public accountabilities tied to responsiveness to societal demands may remain unmet when SIB interventions do not fully tackle the problems they were designed for. Commissioning through SIBs risks directing policy interventions to a specific group of accessible beneficiaries or to easily measurable outcomes. Four studies criticise how the pursuit of quick fixes through SIBs oversimplified the intricate underlying societal issues and disregarded their causes (Broccardo & Mazzuca, 2019). Structural conditions that perpetuate social, health, or environmental problems were left unaddressed (Andreu, 2018). The unresponsiveness to the demands of the most vulnerable can as such be cranked up instead of being toned down (Humpage, 2020; Wirth, 2020).

6. Discussion and conclusion

Social Impact Bonds are gaining traction as an alternative financing mechanism. They are promoted as a low-risk, parallel track to conventional service delivery programs, saving costs for the public sector when successful, and sharing financial burden with investors when unsuccessful. This article presented a review of the empirical SIB literature with a specific focus on public accountability. Risks are identified regarding the processes of transparency, controllability, responsiveness, and liability that feed, constitute, or indicate public accountability relationships. The often taken for granted narratives in SIB research, suggesting that governments can "steer" rather than "row" with marketized accountability structures in place, are countered as the review reveals that public accountability erodes and grip is lost.

The review has certain limitations. The primary limitation relates to the novelty of the instrument. Scholarship on the instrument is, all in all, still limited, and US/UK-centred. More case studies from other parts of the world could enrich the debate. Secondly, we made a deliberate choice of excluding grey literature on implemented SIBs, aligning with the scope of our review. Exploring the vast body of grey literature through a public accountability lens could offer a fruitful path for further research.

Three recommendations for safeguarding public accountability can be derived from the identified risks. First, many of the incentives for mission drifts and gaming strategies can be suppressed when policy-making responsibilities remain the prerogative of the public sector. Through a priori goal setting, cohort definition and method fixing, public actors keep SIB programs responsive to the needs and demands of society rather than to the private sector's search for profits. Secondly, effective platforms and arrangements for information collection, sharing, and management are instrumental to clarify the cloudy information flows between partners. Without a "radically different approach to the sociotechnical system" (Jamieson et al., 2020), SIB actors are encouraged to shield crucial information on interventions and results from project partners and market competitors. Embracing a socio-technical vision is essential for SIBs to realise their full potential. Thirdly, the policy and budgetary purpose of using a SIB should consistently serve as guiding principles during its design. If room is left for risk-evading or gaming practices, SIBs not only lose their fundamental purpose of generating societal impact while sharing risks with private entities but also shelter private actors from liability for inadequate contract execution.

At the same time, the studied literature shows signs that implementing these safeguards while conserving the viability of the SIB model proves challenging. Firstly, the efforts of certain public agencies to prevent mission drift and gaming have resulted in SIBs becoming prohibitively time and resource intensive. In the *HMP Peterborough SIB*, lawyers billed over 300 hours of legal advice, while other hard-fought SIB negotiations extended across multiple years (FitzGerald et al., 2019; Neyland et al., 2019). Millner and Meyer (2022) describe how the public commissioner of the first Austrian SIB succeeded in holding a firm grasp over the negotiations by contracting only with the intermediary organization. However, these negotiations spanned two years and led to escalated transaction costs, as the negotiated contract did not align with the organizational logic of other partners. Prolonged negotiations can inflate expenditures for public commissioners and NGOs (C. FitzGerald et al., 2019; Neyland et al., 2019; Pandey et al., 2018). Likewise, the reviewed cases that integrated comprehensive data gathering and management platforms and procedures to improve transparency experienced an increase in monitoring costs. The shift of resources and time from fieldwork tasks towards administrative duties such as monitoring or performing randomised controlled trials was perceived as burdensome (Edmiston & Nicholls, 2018; Neyland et al., 2019; Williams, 2021). Evaluation requirements became so costly that the attractiveness of the investment was questioned (Dixon, 2021; J. L. Fitzgerald, 2013; Phillips & Johnson, 2021; Williams, 2020). Lastly, investors also show resistance towards plans to transfer more financial risks (Phillips & Johnson, 2021). An evident moral hazard arises as investors become more confident that governments are unlikely to let SIBs fail, given that the commissioners have a vested interest in their success.

Here lies the main difference with PPPs. The public accountability risks of SIBs resemble those found in PPPs, yet due to the more intensified and financialised traits of the SIB, establishing safeguards could be more challenging. While scholars argue that transparency and controllability risks in PPPs can be mitigated through contractual measures (e.g., Osborne & Gaebler, 1992) and emphasise continuous risk monitoring throughout the partnership's lifespan (Forrer et al., 2010), the review reveals that similar strategies hold less potential in SIBs. Transaction costs rise to a degree where the SIB's further viability is questioned by all parties. When the operational flexibility of private actors is restricted, the likelihood of future investments diminishes. The studied cases provide a sobering revelation: the identified public accountability risks in SIB commissioning might not be incidental flaws but rather inherent attributes of its model. A catch-22 scenario emerges, where public accountability safeguards are crucial for sustaining the instrument's viability, yet their integration might compromise the attractiveness of SIBs to its stakeholders.

To understand where the SIB is headed, revisiting its original purpose is insightful. While the original intent of the SIB may have become somewhat obscured in the literature, its fundamental concept involves serving as a transitional mechanism for governments to pilot innovations. While private investors initially remained involved in seemingly endless cycles of pilots, some administrations have indeed now issued fewer SIBs and started scaling successful programs after their SIB pilot. Part of the public accountability issues might thus evaporate when dyadic payment-by-result contracts between public agencies and service providers supersede the multiplex SIB contracts once programs demonstrate their effectiveness. This leads us to suggest that public agencies should employ the SIB cautiously, selecting it only when direct funding of uncertain innovations would bring large financial risks. It also suggests that it is wise to convert successful programs to more conventional funding without intermediaries or investors.

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