

BUSINESS, FINANCE AND
INTERNATIONAL DEVELOPMENT

VARIETIES OF IMPACT INVESTING

Creating and Translating a
Label in Local Contexts

Edited by Philip Balsiger,
Daniel Burnier and Noé Kabouche



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Business, Finance and International Development

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Series Editors' Preface

Time and again, development organizations and policy makers tout plans to mobilize, catalyse or leverage new flows of private finance as solutions to seemingly intractable development problems. High-profile scandals hitting lauded 'impact investment' firms have done little to dull policy makers' enthusiasm in this regard.¹ Aid is increasingly dispersed through development finance institutions that look and behave like private investment firms, while philanthropies become tangled up with donors and private contractors alike. Structural adjustment and policy conditionality for heavily indebted countries has returned (if it ever left), although efforts to restructure sovereign debt are often frustrated by the megalithic asset management firms that hold growing shares of Southern debt. Businesses loudly and proudly declare their intention to fight poverty and shape policy norms through 'multistakeholder' forums. Public Private Partnerships are once again being promoted as vehicles for the delivery of assorted development goals. Meanwhile for-profit consultancies (rather than civil society organizations or public policy experts) have the ear of policy makers and development ministries. As private sector actors become increasingly central to the design and delivery of international development, critical, interdisciplinary research on business, finance and development has never been more pressing.

This series is intended as a home for works which examine the multiple forms that new public-private 'state-capital hybrids' take in contemporary international development. This includes: the role that private sector entities play in producing and legitimating knowledge in/of development; the impact of emerging financial architectures and innovations on the Global South²; labour and human rights issues in global supply chains; the place

¹ Clark, S. and Louch, W. (2023) *The Key Man: How the Global Elite was Duped by a Capitalist Fairy Tale*. Penguin.

² We use this term advisedly, not as a geographical designation, but to draw attention to the varied movements which have mobilized to contest development in former colonial nations, as well as to the efforts of the South Commission (which both critiqued the

of business and finance in resource extraction and conservation; as well as methodological and ethical issues in the study of private sector actors and international development. It is interdisciplinary by design and by necessity. Efforts to engage with some dimension of business, finance and international development have been ongoing for some time in the editors' respective disciplines (anthropology, business and management, development studies, economics, geography, science and technology studies). Drawing together the approaches, methods and normative concerns that have animated this work across disciplines allows contributions to the series to examine issues such as the technicalities of sovereign debt and impact investing, as well as their distributional consequences and entanglements with racialized and gendered power relations and post-colonial geographies.

Our goal is to spark dialogue between scholars situated in the academy, and those who work in civil society or advocacy organizations, or in policy settings. The first volume in this series, *Feminism in Public Debt* (Bohoslavsky and Rulli, 2024) emerged from civil society mobilization around the gendered impacts of debt and austerity in Latin America. This second volume, edited by Philip Balsiger, Daniel Burnier and Noé Kabouche, *Varieties of Impact Investing*, continues with the series' commitment to interdisciplinary explorations of state-capital hybrids shaping international development. Drawing on work by sociologists, business and management scholars, anthropologists and political economists, this volume seeks to gain purchase on 'impact investment'. It is easy to find financial and policy actors who are talking about it, extolling its revolutionary potential, and documenting its growth – but what exactly is it? Contributors to this volume approach the world of impact investing as sociologists might approach the art world: as a sometimes surprising cast of actors who are involved in creating coherent networks, institutions and measures of value that coordinate what counts as enacting 'impact investments'. They do this by exploring the institutional entrepreneurs involved in midwifing impact investment in France, Switzerland, the UK, Colombia, and across global philanthropic networks, using interviews, historical research and novel methods for analysing social media networks.

Other chapters exploring the enactment of impact investment broaden the geographical focus to Nigeria and Ghana, taking in sustainable agriculture initiatives, microfinance, and impact investment funders themselves. A central concern of several chapters is the *measurement* of impact. Critical scholars of international development have long highlighted the way that

role of international business and finance in development and advanced the notion of 'South-South' cooperation). The term is intended to denote a structural, neocolonial relation between North and South, rather than merely imply a spatial location.

technologies for measuring 'results' have reshaped development initiatives and even implementing organizations.³ The contributions here only further the case for more exchange between critical accounting scholarship and international development. They can also be read as contributions to the burgeoning critical scholarship on the politics of evidence in international development, showing that cultivated 'ignorance' of impact can be beneficial to impact investors; a mirror image of the insistence on 'gold standard' randomized controlled-trials in other parts of the philanthropy-funded development landscape.⁴

Finally, this book highlights the value in analysing circulating policy models or ideas across the Global North and Global South. By examining how knowledge is authorized about impact investing, and the enactment of impact investment itself, this collection allows a sense of coherence to emerge across this social world, while leaving in no doubt the significance of local political economy in shaping individual case studies. This is not a story of shared problems and shared solutions across a flattened world in which Global North/Global South divides lose their significance. Instead, we are able to see how parallel Social Impact Bonds enacted more-or-less simultaneously in the UK and Colombia might have some shared features and frames, but also take different forms, emerging within very different configurations of actors representing political coalitions, the state, private capital, bilateral donors and multilateral development banks. *Varieties of Impact Investing* sets out with a particularly ambitious task, exploring a fuzzily defined but ubiquitous development 'model solution' as it takes shape across geographies and sectors, and through different disciplinary lenses. The resultant volume is a remarkable success, and we are delighted to have such a significant contribution to studies of business, finance and international development joining this series.

³ Roberts, S. M., Jones Iii, J. P. and Fröhling, O. (2005) 'NGOs and the Globalization of Managerialism: A Research Framework', *World Development*, 33(11): 1845–64.

⁴ Kvangraven, I. H. (2020) 'Impoverished Economics? A Critical Assessment of the New Gold Standard', *World Development*, 127: 104813.

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Introduction: Labelling and Enacting Impact Investing across Contexts

Philip Balsiger, Daniel Burnier and Noé Kabouche

The grand idea of impact investing

Coined in 2007 in the field of philanthropy by a host of powerful financial and philanthropic actors, in particular the Rockefeller Foundation ([Monitor Institute, 2009](#)), impact investment is the latest development in the field of ‘ethical finance’. Its promoters are critical of other forms of ethical finance for not prioritizing social and environmental objectives in their choice of investments, for not having a primary intention of having an impact. While socially responsible investment excludes certain ‘sinful’ industries, such as tobacco, weapons or fossil fuels, and ESG approaches assess firms only according to environmental, social and governance criteria (but not of its products or services), impact investing claims to go beyond that. It stands for an investment that ‘intentionally seeks to create both financial return and positive social or environmental impact that is actively measured’ ([World Economic Forum, 2013](#): 6).

Global proponents of impact investing do not hesitate to present themselves and their initiative as revolutionary. They claim to reconcile goals of profit with social/environmental impacts, by investing in businesses that develop solutions to today’s global ‘grand challenges’ such as the climate crisis, health or poverty, and by accounting for the social and environmental impacts of these investments. This, impact investors argue, will help reach the Sustainable Development Goals (SDGs) embodied in the 2030 Agenda for Sustainable Development of the United Nations. For impact investors, *doing good* can go together with *doing well* – there is no antagonism between the two. Sir Ronald Cohen, a billionaire venture capitalist and one of the

main promoters of impact investing, said at an impact investment conference in 2019 in Santiago that impact investing is ‘overthrowing the dictatorship of profits [by] putting impact by profit’s side to keep it in its place’. Other proponents use similar language when speaking about impact investing: it is ‘the next big movement’ (Bouri, 2018) that will ‘[transform] how we make money while making a difference’ (Bugg-Levine and Emerson, 2011a). With the help of powerful actors from finance, philanthropy and international organizations, impact investing offers a widely appealing promise to change finance and use it to address social and environmental challenges.

Even just a cursory look at what impact investors do reveals that the category refers to a broad range of more or less risky and engaging investment instruments, developing across a range of asset classes, in particular bonds, private and public equity, venture capital and infrastructure. While most of the instruments of impact investment are common financial tools, some are more innovative, such as ‘Social Impact Bonds (SIBs)’, which are public-private partnerships based on a pay-for-performance (or success) contract for funding public programmes. Through this diverse set of instruments, impact investors provide capital to companies, organizations and funds active in a large variety of sectors, including microfinance, housing, health care, education, sustainable agriculture and conservation. According to the Global Impact Investing Network’s (GIIN) annual impact investor survey 2018, impact investees (that is, receivers of capital) are primarily found in the United States/Canada and in emerging markets (Global Impact Investing Network, 2019). Investments categorized as impact investing have been steadily growing over the past decade. From niche, the impact investing approach has become increasingly mainstream. In the last decade, it has attracted a wide variety of individual and institutional investors, such as fund managers, development finance institutions, diversified financial banks and institutions, private foundations, family offices, NGOs, religious institutions and individual investors. At the end of 2023, the size of this global market was estimated at US\$1.5 trillion (Global Impact Investing Network, 2024). Compared to the overall market for investments, however, impact investing remains quite marginal, accounting for only about 1 per cent of total worldwide assets under management which reached almost 120 trillion in 2023, according to the Boston Consulting Group (2024).

Despite the undeniable spread of impact investing, estimates of its size rely on complex and uncertain calculations, not least because they serve to promote and legitimize the practice (Kabouche et al, 2025). Beyond the general promises of revolutionizing finance and reconciling profit and impact, the notion of impact investing remains extremely vague. What lies beneath the ‘grand’ idea of impact investing? What practices are labelled as impact investing, how do specific actors enact impact investing in different contexts, and with what consequences?

The chapters of this book seek to uncover how the idea of impact investing travels and is appropriated in different contexts, while highlighting the consequences these different forms of appropriation entail. We shed light on the malleability of the category and its diverse enactments in local contexts, through case studies that zoom in on the specific social and historical evolution of the local fields in which forms of impact investing emerged. These case studies help us understand why so many different practices are connected to the same concept, and how such variations persist. At the same time, this attention to context and diversity allows us to grasp what unites impact investing. In other words, studying and unpacking varieties of impact investing is also a way of revealing their common features, regarding social and political effects occurring when financial actors label certain practices as such and start enacting them.

After a review of the social science literature on impact investing, this introduction will first discuss how the label impact investing gets attached to different practices. Doing so, we will explain the main ordering principle of this book: how various actors *label* practices as impact investing, and how it is *enacted* in different contexts. In the last part, we then explore how labelling and enacting impact investing across contexts often obfuscate unequal power relations where financiers, increasingly, become the stewards of the public good.

Impact investing as a boundary-blurring practice

In the increasing body of social science research on impact investing, the overall focus is on how impact investing blurs the boundaries between the hitherto rather separated spheres of philanthropy; social, environmental and development policy; and business and finance. In his classic work on ‘private interest and public action’, [Hirschman \(1982\)](#) mentions the ‘shifting involvements’ between private interests and public action. His take was that at the individual but also collective level, there exists a private-public cycle, where periods of broad public engagement are followed by retreats into the private sphere of consumption. The reason is that both pursuits nourish not only rewards, but also frustrations and disappointments. For Hirschman, private interests and public actions thus obey different logics and require different forms of actions and engagements.

Denying that there is an opposition between the two, advocates of impact investing go against this idea. To them, private interests *contain* the public good, because impact investors are able to combine ‘a unique blend of professional skills and sensibilities’ ([Bugg-Levine and Emerson, 2011b: 235](#)), complementing ‘traditional investment savvy’ ([Bugg-Levine and Emerson, 2011b: 238](#)) with empathy, social motivation or patience. In other words, global proponents of impact investing praise ‘hybridity’, which is a broader historical trend identified by many scholars. ‘Hybrid’

realities – those composed of disparate elements – are politically and morally valued in many fields such as peacebuilding (Forsyth et al, 2017), art, education and urban planning (Gwiazdzinski, 2016) and, at least since the neoliberal reforms of the 1990s, in public policy and development. In the economic and finance fields, public-private partnerships as well as investments seeking both an economic return and a social/environmental impact are hybrid realities that players in sustainable development and finance are putting forward.

Emily Barman discusses these historical developments as the sign of the rise of ‘caring capitalism’, that is, a discourse paired with innovative practices that develop and put forward a ‘newer, supposedly kinder vision of the economy’ where ‘companies can pursue social impact and they can make profit in so doing’ (Barman, 2017: 1). The premise of caring capitalism is that business can be better at addressing social problems than the actors that customarily claim authority to do so – the state and philanthropy. ‘Caring capitalists’, therefore, tend to redefine the frontiers between public and private action, claiming the superiority of market solutions to address the most pressing global problems. In a similar vein, critical philanthropy scholars have shown the political dimension of philanthropy, studying how the rise of new public management techniques and market approaches within philanthropy and proximate fields, such as impact investing, tend to favour the skills of financial professionals, who increasingly claim to possess expertise in assessing not only financial but also social performances (Guilhot, 2006; McGoey, 2021).

Analysing the proponents of impact investing (Barman, 2017), their coalitions and alliances (Golka, 2019; Caselli, 2020), frames and discourses (Hehenberger et al, 2019; Burnier et al, 2022), as well as the valuation devices and investment tools they develop (Barman, 2015, 2020; Chiapello and Godefroy, 2017; Williams, 2023), scholars have proposed different interpretations of impact investments’ characteristic movement of boundary-blurring. Most problematize it as part of the larger process of neoliberalization and financialization of social and development policy. Proponents of impact investing use the ‘allure of finance’ (Golka, 2023) to enrol public policy actors in a project to develop new profit opportunities, submitting development projects and social or environmental policies to financial accounting tools (Chiapello and Knoll, 2020; Chiapello et al, 2023). Without denying elements of financialization, others focus more on how the integration of social and environmental values in investment practices begs the question of their capacity of limiting economic and financial logics, from a perspective of value plurality and ‘moralized markets’ (Balsiger, 2021). Barman (2015) shows how, in the field of impact investment, social and environmental values are not constructed as fungible with economic values, and they are not monetized. Instead, the two are combined in different ways (Andersen and

Tekula, 2022; Kreutzer, 2022), juxtaposed (Barman, 2015), and organized around a ‘double circulation’ (Bourgeron, 2020).

The different interpretations of impact investing are probably also explained by the broad variety of practices that figure under the impact investing label. Scholars highlighting financialization have tended to look at instruments such as social or green bonds, or the entanglements of states, development banks, private banks and philanthropy in the blended finance instruments of current development projects in the Global South (Chiapello and Knoll, 2020). Meanwhile, others focus more on impact investment into social enterprises or conventional businesses (for example, Barman, 2015). In any case, this diversity of investment forms, instruments and targets is characteristic of impact investment. A few studies have explicitly explored this diversity of impact investment practices. Roundy (2019) explains interregional differences in the prevalence and intensity of impact investing, pointing out that the most dynamic ‘impact investing ecosystems’ (for example, in London, Geneva, Silicon Valley and South Africa) are characterized by their diversity (in the goals pursued, asset classes, types of beneficiary companies, expected financial return, and so on), cohesion (existence of a group of investors with a common interest in pursuing financial and social/environmental goals) and coordination (existence of a network and exchange of information). While impact investing is promoted at an international level by networks such as the GIIN and the Global Steering Group for Impact Investment (GSG), local and historical contexts influence its practices and effects. For example, Ducastel and Anseeuw (2020) show that impact investment, supported by the South African government and its public financial institutions, can be perceived as a redeployment of the State in a context of public debt.

Overall, the picture painted by studies of impact investing is thus one of a highly diverse practice with contested boundaries. Impact investing seeks to distinguish itself from proximate practices of ethical finance by building a niche of its own around specific market devices (Chiapello and Godefroy, 2017). Yet in practice, the differences often become blurred (Barman, 2020), not least because the term *impact* itself has become a buzzword applied to all kinds of financial operations. Within, it reunites a variety of practices that are often very different (from SIBs, forms of blended finance, to venture capitalism and microfinance), held together only by a loose label (Höchstädter and Scheck, 2015). In the ‘applied’ literature on impact investing in the field of finance, this diversity is often presented as an obstacle for the development of impact investment’s ‘full potential’. Standardization is, therefore, a goal of many proponents in the industry, in particular with regard to the measurement of social and environmental impact (Andersen and Tekula, 2022; Archer, 2022). Yet at another level, the diversity of impact investment practices has been shown as useful for its development. Quinn and Munir (2017), studying an impact investing organization in sub-Saharan

Africa, show that the construction and maintenance of hybrid categories can have potentially advantageous effects. The global impact investment movement seems to tap into this variety of local and contextual impact investing practices. Perhaps the diversity of impact investing is, therefore, not an inconsistency in need of being surpassed, but rather the key to its success.

How a label is created across contexts

How does impact investing thrive when it goes local? The discourse and practices of impact investment exist thanks to the ‘translation’ work carried out in diverse locations and fields by actors who reinterpret, support or sometimes also resist the impact investing discourse and practices. This book proposes to analyse the local implementation of impact investing through a focus on two closely related processes which can be found implicitly or explicitly in all the chapters of the book: *labelling* and *enacting*. By putting these processes at the centre of our analysis, we take inspiration from constructivist approaches, studies on the ‘transnational circulation of ideas’ (Bourdieu, 2002) and the global diffusion and local translation of policies and categories. Studies on neoliberalism, for instance, have shown how this ‘idea’ is translated differently in various countries, depending on factors such as socio-political contexts and fields within which they are imported, the kinds of actors who take up the idea, and the projects they pursue with them (Ban, 2016). To understand how global ideas circulate and with what consequences, it is crucial to understand both the context where such ideas originated *and* the processes of reinterpretation, support and resistance at work by different groups within local fields of reception. Rather than simply ‘copy and paste’ international politico-economic ideas, local translators tend to actively reinterpret them (Callon, 1998; Fourcade, 2009) in order to fit the specific context. While not all ideas are designed to cross borders, those that are have a serious advantage when they are vague or ambiguous, since they can be adopted by groups with opposing interests and values (Lamont, 1987). The support of powerful international organizations and their relay in national networks is also useful to enable an idea to reach an international audience. While located at a different scale, and not as neatly and seamlessly ‘translated’ as neoliberalism, impact investing is still one of those fuzzy terms adaptable to local contexts and supported by powerful international organizations.

Part I of the book, entitled ‘Translating the Impact Label into National and Transnational Contexts’, sets the focus on unpacking the work of the ‘institutional entrepreneurs’ who develop and/or seize and promote the concept, building up impact investing fields in specific local contexts. We refer to this process as ‘labelling’, that is, the designation of certain practices

under the category of ‘impact investing’. Impact investing works as a political discourse which gets taken up by financial and political actors to characterize and showcase more or less innovative financial practices. Looking at *labelling* processes means studying (1) which actors seize and promote it and (2) the processes by which it spreads and gets institutionalized *or* fails to settle. Which opportunities and difficulties does this approach to investment face in a local context? What forms of political and institutional support do regional impact investments receive from national and transnational actors? What broader social and political imaginaries explain the rise and dynamics of impact investment in specific contexts?

The chapters in [Part I](#) show that depending on contexts, different actors seized the impact investing labels and developed new financial instruments around it. [Chapter 2](#), by **Sial and Sklair**, retraces how the global Aga Khan Development Network (AKDN), one of the biggest philanthropic organizations in the world, came to embrace the language of impact investing. Adopting a historical perspective, the chapter adds another piece to our knowledge of the historical roots of practices today labelled as impact investing. It shows how, in the domain of development policy, the mixing of economic and ‘development’ goals – of profit and social/environmental impact – has long been established, and the need to bring together different financial sources (both public and private) for development projects dates back to 2002 at the latest, leading to a rise of ‘blended finance’ models ([Chiapello et al, 2023](#)). The AKDN has been strongly involved in such forms of financial innovation, and in doing so it built on its longstanding experience in investing in the developing world, for instance in finance, infrastructure or tourism. In this account, impact investing thus appears as a clear continuation of previous forms of development policies.

While in this case, the impact investing label is used by a philanthropic organization, the following series of chapters, which analyse the development of impact investing fields in four European countries, observe other actors at work. They come from finance, public administrations, politics or international organizations, and build context-dependent coalitions to promote and develop the newly labelled practice. Using Twitter data, **Chiapello and Roth**, in [Chapter 3](#), examine the rise of impact investing in France. Their data show an evolution of the field in terms of actors involved: while at first those are mostly actors from the previously existing world of social finance, associated with emerging actors specialized in the new category of impact investing, the composition changes over time with the arrival of more and more actors from conventional finance. **Kabouche’s** chapter on impact investing in Geneva ([Chapter 4](#)) traces back the origin of the field to private banks and their efforts to develop activities in commercial

microfinance. The major actors of the Geneva impact investing field were originally doing microfinance and simply ‘relabelled’ their practice once impact investing was coined as a category, which also helped them avoid the increasingly present criticism addressed to microfinance. While, over time, other actors ended up joining the field, Geneva-based impact finance has the particularity of being strongly oriented towards investments in the developing world, whether through microfinance funds or equity investments into small and medium-sized companies. While the story of impact investing in Geneva is almost exclusively driven by private finance, the chapters by **Golka** on the UK, by **Caselli** on Italy, and by **Gómez Muñoz** on Colombia, consider how impact investing emerged around SIBs, requiring an entanglement of private finance and governments. In the case of the UK, what was initially known as *social investing* was the brainchild of institutional entrepreneurs from finance such as Sir Ronald Cohen, who sought to push private financing for the public and social sector. It was, however, only once policy makers found political leverage in using this form of investment that it managed to take off. Golka (in [Chapter 5](#)) concludes that ‘the creation of new financial products is a relational exercise over which institutional entrepreneurs hold only partial control’. [Chapter 6](#), by Caselli, indicates that such alliances never really took hold in Italy, at least not at the national level, where financialization of public policy remains rather weak. However, a number of ongoing initiatives at local levels enact forms of SIBs. Finally, SIBs developed in Colombia present an interesting case of how impact finance, development policy and social policy are entangled in a country belonging to the Global South. Indeed, Colombia’s experiments with SIBs were devised and supported by the Swiss State Secretariat for Economic Affairs, which conducts projects in the realm of economic cooperation and development. Based on interviews with promoters of these initiatives, [Chapter 7](#) by Gómez Muñoz examines their different perspectives. Discussing how their attractiveness is derived from their financial prospects, that is, their potential returns, she shows how these returns are tightly related to the way the bonds’ goals are set, thus also making a link to [Part II](#), on the enactment of the impact investing label.

The enactment of impact investment

[Part II](#) of the book, entitled ‘Enacting Impact in Investment Practices’, is more focused on the translation of activities labelled as impact investing into concrete practices in specific cultural, institutional and organizational contexts. The attention here is on practitioners or ‘users’ of the category. This second analytical layer helps address the great practical diversity of impact investing and identify its causes. It also leads to an analysis of the consequences of enacting impact investing, in terms of who gets financed, the conditions of loans for funded entities or, from a more macro perspective, how impact

investing encroaches on other proximate fields such as development aid or social policy.

In some cases, the companies receiving impact investments fall under the category of social enterprises. In [Chapter 8](#), **Campisano** examines the case of a social enterprise which proposes to alleviate poverty in rural Ghana through sustainable agriculture (Sust-Agric Africa). She argues that the vagueness associated with the term ‘impact’ allows ample scope for negotiation and reformulation of its meaning in order to make sense of changes to the company strategies and policies and to keep tapping into the impact investing capital markets. However, this flexibility also means that it can be used to obfuscate results that are actually contrary to impact goals. **Christodoulou and Banerjee**, in [Chapter 9](#), further explore the relations between impact investees and their investors, based on interviews with entrepreneurs in Nigeria. The actual and potential enactments of impact investing relationships in the cases described in their interviews reveal important power imbalances. These relations are shaped by sometimes conflicting expectations and frictions. While for the entrepreneurs, impact investing should be about the creation of equal relationships that are not just monetary but also involve the circulation of expertise and networks, their actual enactment is marred by the power relations underpinning them. The final chapter of this section ([Chapter 10](#)), by **Burnier**, looks at enactment from the angle of impact *measurement*. Analysing reports by impact investment companies and interviews with asset managers in Geneva, Burnier argues that upkeeping the promise of impact requires operations of ignorance by its practitioners. Because actual impact is hard to define and even more difficult to measure, impact asset managers most of the time content themselves with measures of outputs, which is only a crude proxy of actual impact, unfit to establish causal links between investments and the social or environmental results achieved. Basically, this comes to say that the enactment of impact investing comes with the price of ignoring actual impact.

Power in the labelling and enacting of impact investment

Across all chapters, and in the literature on impact investment at large, we see how impact investing relates to the notion of hybridity. Actor coalitions bring together public policy, NGOs, foundations and finance to create new ‘hybrid’ instruments of impact bonds, while investors seek to achieve both financial returns and social or environmental impact. Very often, hybridity refers to explicit practices of finance, wherein different sources of money are combined to co-finance given projects (sometimes referred to as ‘hybrid capital’). *Blended* finance is the current buzzword to refer to this, but it has a history that predates the emergence of this term.

It is particularly strong in the development discourse, where the need for private finance to fill the gap to reach the UN's SDGs has become a mantra in the international community (Sial and Sklair, this volume). But it is also very present in the Western world where, in the context of neoliberal reforms, public-private partnerships have thrived since at least the 1990s. SIBs (see the chapters by Golka, Caselli and Gómez Muñoz), perhaps *the* poster child of early impact investing, are a sophisticated version of this blurring of spheres applied to the realm of financing. They are presented as a solution to both make public policy more efficient, and ensure its continued funding in times of budget cuts, although they often fail to deliver on their promises and struggle to convince private investors to do their 'blending' part (Williams, 2023).

The present volume also highlights that hybridity goes beyond the creation and enactment of blended finance, especially when looking into impact investing's discourse. It demonstrates that through the contextual utilizations of the 'impact investing' label and the complex assemblages of actors and goals resulting from them, impact investing's promoters do not only seek to bridge private and public financial fundings: the idea of impact finance is also to contribute to the public good by doing private investments. By unpacking the label creation and enactment of impact investing, the case studies provided in this book reveal that, while the money flows – from investors to companies, and back – may be purely 'private', their impact is considered public, and deemed to contribute to the common good. To back this up and create legitimacy, efforts are made to closely track and measure this impact. Here, hybridity is thus not related to money sources, but to the public goals that are pursued (and attested through measurements) along private interests – although this may often take place on the background of 'hidden' public money (such as tax breaks for employing disabled workers or subsidies for green technology).

The double promise of a financial return *and* a measured social or environmental impact creates 'fictional expectations' (Beckert, 2016) of a future financial return but also positive social or environmental impact, attested through specific measurements that are always and necessarily selective (see Chapter 10). When impact investors frame change in the domain of development or the green transition, for instance, they put forward the role of private investment and not public regulation. As Suckert argued, controlling the discursive construction of the future is an effective way to 'defend or acquire power positions in the present' (Suckert, 2022: 23). Behind the win-win future proposed by impact investors stands an impact investment industry that controls it. The hybrid category of impact investing thus serves to further assess the power of finance and private investors, who are allegedly capable of driving positive change by channelling their investments accordingly.

Both discourses and enactments of hybridity, therefore, tend to hide power relations. Through their actions that aim at the public good, impact investors (and their intermediaries) place themselves in a position of public stewards. They are the ones who devise the financing schemes, decide what impacts count, how they are measured and with what consequences. The issue that discourses and practices of public-private blending of fundings tend to conceal is precisely that of the power granted by the fact of making private actors responsible for public issues. As argued by Forsyth et al (2017), hybridity is not intrinsically good or bad; it has to be approached in a critical way: ‘What is key is that questions are asked about who, or what, stands to benefit – or lose – from a particular invocation or usage of the hybridity concept, or from a particular hybrid process, interaction, or arrangement’ (Forsyth et al, 2017: 411). Analysing an impact investing organization operating in Uganda, Quinn and Munir (2017) have illustrated how some hybrid categories can be used to shape social and political arrangements and maintain unequal relations of power. They conclude that hybrid categories are *political* devices, and it is important to look at how they are used and who actually benefits from their use.

Such power dynamics have been the subject of recent studies on blended finance instruments in the Global South, where combining public and sometimes philanthropic money with private investments in order to achieve a social or environmental impact has been pursued with increasingly sophisticated and complex financial arrangements. Through this, governments and international development institutions, such as the World Bank, seek to leverage private capital in sectors or countries otherwise considered too risky by investors. This ‘de-risking movement’ in international development has been described by Gabor (2021) as the ‘Wall Street Consensus’. In this new paradigm, ‘the state comes under pressure to institutionally codify risk-proofing arrangements, guaranteeing private financial profits in the name of aligning sustainable projects with the preferred risk/return profile of institutional investors’ (Gabor, 2021: 453). By involving financial actors in policy making and extending the dependence of the state on private finance, blended finance tends to transform the content and implementation of development policies. For Chiapello (2023) as well, this financialization of development policies, that is the dominance of financial actors’ discourses and practices in the field of international development, gives private investors from the Global North too great a role in promoting the common good. In that respect, impact finance also makes investees accountable to their (Western) investors, especially through impact measurement that holds said investees responsible for their impact performance, and controls their action via various accounting devices (Mennicken and Miller, 2012; Miller and Power, 2013; Bourgeron, 2020). Moreover, this narrow paradigm is making the ‘wide development of financial activities ... a “development goal in the

first place” (Chiapello, 2023: 3) – as if the means to reach development are prioritized against the ends. Indeed, the development of sophisticated financial tools seems sometimes more important than the actual problems they are supposed to solve (see also Chiapello et al, 2023).

The chapters gathered in this volume can help shed light on the power dynamics underpinning the development of hybrid discourses around impact investing. When practices become labelled as impact investing, actors endorse the discourse of hybridity while translating it into specific local contexts. The chapters from Part I of the book show that mainstream financial actors are crucial in the process of impact investing label creation. They generally co-create the label in context-dependent alliances with actors from the state or from international organizations. In this process, social and environmental impact gets redefined as a financial issue. The chapters from this section also show, however, that the translation of the label into concrete investment practices does not always succeed, and Golka’s chapter argues that politicians actually play an important role in these alleged power shifts. It is only when politicians have an interest in mobilizing private finance that derisking takes place.

Several chapters in Part II of the book address impact investing in a development context, and they tease out some more aspects of the power dynamics that are apparent underneath these forms of hybrid finance. Christodolou and Banerjee reveal fairly unequal power relations between investors and investees, where the latter have to adapt to investor expectations in order to be able to tap into the growing funds from impact investing. Campisano’s chapter, meanwhile, shows a different power dynamic, where the agricultural company described is capable of using the vague definition of impact investing to its advantage.

Finally, chapters focusing on SIBs prove particularly suitable to study power issues. Since they were introduced in the UK and elsewhere, SIBs have been critically analysed as a form of financialization of public policy, where financial interests of profitability colonize public goals (Chiapello and Knoll, 2020). In SIBs, financial logics deeply penetrate public action. But while the language of the promised increased efficiency is appealing, whether in order to palliate budget cuts or to gain political advantages (as Golka argues), the involvement of financial actors also raises legitimacy concerns. The chapter by Gómez Muñoz on Colombia suggests – although it only concerns one case – that SIBs might have an easier path to acceptance in countries where governments are perceived as inefficient. In sum, the contrast reinforces the argument of this book, which is the need to analyse impact investing in its context(s).

Overall, by unpacking and characterizing the diversity of impact investing’s practices and discourses around the world, this volume suggests looking beyond this apparent disorder. It shows that diversity does not

follow random patterns: it consists of the enactment of recurring themes in various contexts. In particular, power asymmetries emerging from the hybrid configurations supporting impact finance constitute a core feature of this practice. Whether it empowers actors manipulating the ‘impact’ label, redistributes stewardship on common good, or subjects new economic spaces to private and/or Western control, impact investing’s hybridity reshuffles fundamental power relationships. But the contextual lens is also crucial in order to nuance an all-too simple picture of impact finance as a power shift in favour of private finance. The chapters gathered in this volume help illuminate these processes, and open up a path to a perspective on impact investing that takes into account both its variety and commonalities.

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PART I

**Translating the Impact
Label into National and
Transnational Contexts**

Impact Investing and Philanthropy in the Global South: Innovative Finance at the Aga Khan Development Network

Farwa Sial and Jessica Sklair

The international development agenda has been rapidly transforming in the aftermath of the 2008 financial crisis, with the private sector and philanthropic organizations emerging as equal partners alongside donor governments and public organizations. A consequence of such partnerships has been the drive to make development projects ‘marketable’ or investment friendly to attract private finance. Financial institutions and development organizations now follow the common pursuit of an impact investment agenda, which enables the proliferation of ‘innovative financing technologies’ across the development sector. Marked by the 2002 United Nations International Conference on Financing for Development (the Monterrey Consensus), the innovative financing agenda can broadly be understood as a series of mechanisms which enable the leveraging of private finance in development initiatives. In addition to partnerships with commercial financing organizations – including institutional investors, venture funds and private equity funds – innovative financing also comprises new instruments such as blended finance and social impact bonds. The expansion and deepening of innovative finance as a way of achieving impact has taken centre stage in the recent COVID-19 pandemic responses.

Philanthropic organizations have been key adopters and shapers of the innovative financing mechanism, and recent decades have seen both new and older philanthropic foundations partnering with multilateral and private partners to pursue new financing initiatives in different forms. While much work on impact investment and philanthropy has focused on

the development of these practices in the USA and Europe, we focus on the Aga Khan Development Network (AKDN), a global philanthropic entity, informed by the dictates of Ismaili Islam, but operating as a secular development organization across Central and South Asia, East and West Africa and the Middle East. The AKDN was established in 1967 and now comprises an extensive series of development agencies, institutions and programmes, employing a total of 96,000 people in over 30 countries.¹ Our focus on the AKDN stems from questions such as the history of the private sector in philanthropy emerging from the Global South, the differences and complementarities between Global North and Global South philanthropies and the meaning of impact investing as it originated in Global South contexts.

In this chapter, we start with an introductory overview of the AKDN. Drawing attention to its history, size, scale of geographic expansion and multi-sectoral focus, we aim to show that its approach towards developmental impact investing predates the current philanthropic turn. Juxtaposing the historical origins of the AKDN as a global philanthropy organization against the label of impact investing in the West offers an alternative understanding to the mainstream discourse on impact. First, the instrumentalization of ‘impact’ as a reason for investing in international development and philanthropy does not simply predate the Western labelling of impact investing, it also compels us to understand the ‘global’ origins of Global South-based philanthropic organizations. Second and related to the first, while the conventional and dominant understanding of impact investing is presented as a novelty of Western finance, its historical roots and the linkages between the Global South and Global North require further investigation, including in context to imperial linkages and influences.

To build this case, we narrow our focus on the AKDN’s ‘for-profit’ organization, the Aga Khan Fund for Economic Development (AKFED). We argue that the AKFED has been pursuing investment activities with a dual focus on social impact and financial return since long before the term ‘impact investing’ was coined in the Global North. In 2003, the (then) Aga Khan Prince Shah Karim al-Husseini asserted that the AKFED ‘invests in countries, sectors and projects, on criteria far different from those of a straightforward commercial investor. Investment decisions are based more

¹ AKDN’s key focus areas include agriculture and food security, economic inclusion, education, early childhood development, health and nutrition and civil society. It is important to highlight that the global presence of the AKDN network is predominantly in Global South economies. Although the network has headquarters in major countries in the developed North, its operations originated in the Global South. The staff has been overwhelmingly local and although there is a variation among projects and contexts, many long-term development projects by the AKDN have a high ownership model led by local communities.

on the prospects for better lives for the constituencies of people that will be impacted by the investments and their results rather than on bottom line profitability.’²

Our analysis of the AKFED first situates this agency within the historical rise of the AKDN as a distinct form of philanthropic organization, which emerged in the Global South and extended its approach to socio-economic development beyond the Ismaili community. Based on this understanding, we then look at the role of the AKFED. Providing a broader overview of the projects in which the AKFED is active, we conclude that the AKFED was a pioneer in ‘impact investing’. Through the AKFED, the AKDN began to trial innovative financing mechanisms and draw on blended funds from different sources – including individual donations, private investments and state-funded Public Private Partnerships (PPPs) – well before the advent of similar approaches in the philanthropic mainstream. An implicit aim of the research is to draw attention towards the comparative ideological and structural underpinnings between Western and non-Western philanthropy. Global South economies differ in their capitalist development from developed and mostly Western economies. The global rise of philanthropy as a major financier across different sectors, including international development, requires an exploration of the rationale and motivations behind such comparative research.

Locating the AKDN: activities, scale and funding

The AKDN was established in 1967 by the late Prince Shah Karim al-Husseini, Aga Khan IV, Imam (holder of religious authority) and leader of the global Shia Imami Ismaili community. The Ismailis are an Islamic community of between 12 and 15 million people, spread across 25 countries and most significantly represented in Afghanistan, Tajikistan and northern Pakistan (Poor, 2014: 5). The current Ismaili diaspora is broadly known for the commercial success of many of its members (Poor, 2014: 17). The role of Ismaili *Imam* (broadly translated as leader) is hereditary and Prince Shah Karim al-Husseini (Aga Khan IV) was the 49th incumbent of the role, a title he assumed in 1957.

While some of the institutions within the AKDN have a longer history (particularly the Network’s schools, many of which were founded under the mandate of Aga Khan III (Poor, 2014: 187)), the AKDN in the form it takes today is very much the creation of Aga Khan IV. The scale and breadth of

² ‘His Highness the Aga Khan’, during a speech made at the opening of Alltex EPZ Limited, Athi River, December 2003. Quote reproduced from the AKDN website at www.akdn.org/project/employee-wellness-business-imperative

Table 2.1: List of AKDN agencies

List of agencies of the AKDN	Sector
1. Aga Khan University	Education
2. Aga Khan Academies	
3. Aga Khan Education Services	
4. University of Central Asia	
5. Aga Khan Trust for Culture	Culture
6. Aga Khan Health Services	Health
7. Aga Khan Agency for Microfinance	Financial services
8. Aga Khan Foundation (AKF)	
9. Aga Khan Agency for Habitat	
10. Aga Khan Fund for Economic Development	For-profit investment

Source: AKDN website www.akdn.org/

the AKDN's work is impressive. Structured around ten agencies, the AKDN currently runs over 1,000 programmes and institutions across 30 countries, employing 96,000 people (see Table 2.1³). Its work spans three focus areas (economic, social and cultural development) and is designed to benefit both the Ismaili community and a far wider demographic of people in regions spanning Eastern Africa, West Africa, the Middle East, Central Asia, South Asia, the Far East, North America and Europe.⁴

Nearly half of the AKDN's employees (around 47,000 people) work through the AKDN's only for-profit agency, the AKFED. These employees work through the AKFED's 'project companies including large hydropower plants, mobile phone networks, hotels, and agribusiness and pharmaceutical companies'.⁵

Sustaining this remarkable range of development activities is an equally impressive budget. The AKDN's website reports that, in 2019, its non-profit activities were funded with an annual budget of around US\$1 billion, while in the same year, the for-profit AKFED generated revenues of US\$4.5 billion. All of the latter are 'reinvested in further development activities, usually in fragile, remote or post-conflict regions'.⁶ While the AKFED generates its

³ AKDN Website – Who we are: <https://the.akdn/en/who-we-are>

⁴ AKDN Website – Who we are: <https://the.akdn/en/who-we-are>

⁵ Quote reproduced from the AKFED website: www.akdn.org/our-agencies/aga-khan-fund-economic-development

⁶ Quote reproduced from Frequently asked Questions Website: www.akdn.org/about-us/frequently-asked-questions

own budget through the work of its project companies, the AKDN's not-for-profit operating funds have their origins in a variety of sources. The Aga Khan IV himself provided a considerable part of these from his own private funds, while a variety of funding partners (including multilateral development institutions, national governments, private sector partners and individual and corporate donors) also support different programmes and projects. The AKDN also hosts fundraising activities, charges user fees on some of its services, and operates some endowment funds.⁷ Finally, and importantly, the AKDN raises funds through financial contributions from the global Ismaili community. Falling under the broader Muslim practice of *zakat*, a form of obligatory charitable giving under Islamic religious law, Ismailis 'have traditionally believed that they must pay a proportion of their income to their Imam, which is called *sahm-i imām* (the share of the Imam) or *māl-i wājibāt* (obligatory dues)' (Poor, 2014: 197). While these contributions are not monitored, *māl-i wājibāt* – alongside in-kind contributions of volunteer time and professional services from the Ismaili community – make up a significant portion of the AKDN's budget.⁸

The scale of the AKDN's funds places it among the most significant philanthropic institutions in the world. Even if we do not consider the portion of its funds held by the AKFED (US\$4.5 billion in 2019), the remaining US\$1 billion in the AKDN's overall budget dedicated to non-profit activities during the same year is still far above the resources spent on development by most of the biggest philanthropic foundations around the globe. The OECD reports that in 2018–19, the Gates Foundation – whose phenomenal resources always see it far outstrip its peers in funding – spent US\$4.09 billion on international development. The second biggest development spender in the OECD's survey for this period was the BBVA Microfinance Foundation (spending US\$1.23 billion for 2018–19), followed by the United Postcode Lotteries at US\$367 million, the Susan T. Buffett Foundation at US\$316 million and the UK's Wellcome Trust at US\$305 million. The hugely influential Tata Trusts in India spent US\$0.9 billion over the longer period from 2016 to 2019 (OECD, 2021).

Despite its significance in the realm of global development philanthropy, however, the AKDN is strangely absent from both academic and industry literature on the growing influence of philanthropy in this field. Even less attention has been paid to the AKDN's engagement in the impact investing

⁷ See Frequently asked Questions Website: www.akdn.org/about-us/frequently-asked-questions

⁸ While the AKDN outlines these various funding sources within its own literature, information is not available concerning the percentages of its funds that come from each one.

and innovative finance activities that have proliferated among development philanthropies in recent years (see more on this below). Certainly – at least from a Euro-American perspective – the AKDN is a difficult entity to characterize within the broader landscape of global philanthropic organizations.⁹ Hard to place within the categories usually employed to examine traditional forms of Euro-American philanthropy (for example, family foundation, corporate foundation, community foundation, and so on),¹⁰ the AKDN's unusual status reflects the nature of the Ismaili community itself. A cohesive, global population with an unelected religious (and de facto political) leader, that holds no claim to a nation, state or delineated territory, the Ismaili community nonetheless commands considerable financial resources and operates a sophisticated system of community-based and religious governance, integrated into its charitable activities (Poor, 2014: 55, 202). Comments by the late Aga Khan IV himself suggest that the AKDN's identity is constructed in relation to these broader aspects of the community, self-defined in its own right as an autonomous religious entity. Quoted in Poor (2014: 140), the Aga Khan IV noted of the AKDN that:

Reflecting a certain historical tendency of the West to separate the secular from the religious, [Western commentators] often describe it either as philanthropy or entrepreneurship. What is not understood is that this work is for us a part of our institutional responsibility – it flows from the mandate of the office of Imam to improve the quality of worldly life for the concerned communities.

The AKDN's unique context (comprising its origins and history, the scale, reach and breadth of its development activities, its diverse sources of revenue and its socio-religious orientation) thus sets it apart from other philanthropies examined in the academic literature on impact investing, most of which are found in the Global North. We do not seek, as such, to compare the AKDN directly to these examples, but rather to explore the ways in which some of the ideas and practices around innovative finance, impact investing and the financialization of development found in the work of other philanthropic organizations are also present – even if they are not labelled as such – in the

⁹ In legal terms, some affiliate organizations within the AKDN are registered as non-profits in Canada, the USA, the UK and Portugal, and the AKDN's website tells us that the AKFED is 'incorporated as a for-profit development agency under Swiss law, but its project companies operate as commercial entities under the laws of the countries in which they are resident' (www.akdn.org/about-us/frequently-asked-questions). This legal standing of individual organizations under the AKDN umbrella, however, does not represent the organizational structure and status of the network as a whole.

¹⁰ See, for example, Foundation Basics: <https://cof.org/content/foundation-basics>

work of the AKDN, and have evolved over time in this specific philanthropic context. In order to do so, we will first look at the existing literature on the rise of philanthropic impact investing in international development, before returning to the case of the AKDN and the AKFED.

Philanthropic impact investing in the international development sector

Over the last two decades, the introduction of impact investing practices to the realm of international development has led to a radical shift in the ways that ‘development’ is both funded and carried out. This shift dates back to the 2002 United Nations International Conference on Financing for Development (known as the Monterrey Consensus). Here, early ideas about the inadequacy of traditional sources of development financing (including donor states, multilateral organizations and philanthropy) took shape around the emergent idea of ‘innovative financing’ mechanisms, designed to draw in funds from mainstream financial markets. As Philippe Douste-Blazy, Special Advisor to the Secretary-General of the United Nations in charge of Innovative Financing for Development noted in a 2009 report (L.I.F.E., 2009: 4–5):

Though Official Development Assistance (ODA) remains indispensable, it will not be enough in itself. The onus is on us today to find other ways and means to act, to look in new directions, to think differently. This is when innovative financing mechanisms come into play to raise new sustainable funds based on a new economic logic that will come on top of ODA but certainly not replace it. ... The consensus adopted at the Monterrey Summit ... paved the way for new approaches to development that set aside the traditional dichotomy between official assistance and private humanitarian action, which are actually two sides of the same coin of charity. Without questioning necessary charity, the scope of the problem and the stakes were such that it had become essential to finally adopt a global systemic approach based on economic logic rather than effect.

Discourses of scarcity in fiscal budgets following the global financial crisis of 2007–2008 helped to deepen this shift towards private financing in global approaches to development funding. Over the next decade, the replacement of the Millennium Development Goals with the 2015 Sustainable Development Goals (SDGs) further cemented commitment to this approach, with publicly disseminated calculations of a US\$1.9–3.1 trillion gap in funding (based on existing levels of development financing) necessary to reach the 17 SDGs by the target date of 2030 (UNCTAD, 2014: 140). The UN’s *Addis Ababa*

Action Agenda for financing the SDGs (United Nations, 2015) and subsequent initiatives such as the World Bank's Maximizing Finance for Development programme (World Bank Group, 2019) duly laid out plans for attracting mainstream finance to the development sector at scale.

The resulting shift to private financing for development has seen a proliferation of impact investing models across different geographies and scales. These include new forms of PPP (Bayliss and Van Waeyenberge, 2018), Development Impact Bonds (Ziswiler, 2021), Vaccine Bonds (Hughes-McLure and Mawdsley, 2022) and diverse 'blended finance' models, in which public or philanthropic funds are deployed to 'de-risk' private sector investments (Cohen et al, 2021). Seeking to deliver development finance upfront and at scale, these impact investing models are designed to lure private financiers with the dual promise of ethically laudable development impact and attractive long-term returns on investment. As critical scholars of development have documented (for example, Soederberg, 2013; Gabor and Brooks, 2017; Mawdsley, 2018; Gabor, 2021), this shift towards the private financing of development has successfully ushered global networks of mainstream finance into the development arena. For its part, global capital has thus broadened its own horizons, placing development as a key node in the permanent drive to identify new markets and investment frontiers. As Jafri (2019) has demonstrated, impact investing has been elevated to the status of a new asset class in its own right. In parallel, critics have observed how the financialization of development inherent to these processes has seen the role of foreign aid transformed, with government spending now increasingly deployed to leverage, underwrite (and over the long term, repay the elevated costs of) private investment into development (Carroll and Jarvis, 2014; Mawdsley et al, 2018).

Philanthropists and the foundations through which they work have played a central role in these processes. As Kumar and Brooks (2021: 336) note in their analysis of the historical evolution of philanthropy's engagement with international development, the term impact investing itself was originally devised in a philanthropic setting:

The term 'impact investing' ... was coined as early as 2007 at a meeting hosted by the Rockefeller Foundation at its Bellagio Center to refer to investments that generate financial returns alongside social and/or environmental impacts. ... Related terms like 'innovative finance', 'philanthropic risk capital' and 'patient capital' have since emerged which collectively refer to the use of public and/or philanthropic funds to accompany private money from global financial markets to high risk but potentially high yield markets in poor countries; thus, 'de-risking' development as an investment opportunity.

Philanthropy's contribution to the definition and dissemination of impact investing as a development practice is not coincidental, but rather the most recent iteration of a longstanding drive to introduce financialized approaches into the development sector (Kumar and Brooks, 2021; Sklair and Gilbert, 2022). Philanthropy's attempts to bring private sector investment into the realm of social 'impact' date back at least to the 1990s, when the Rockefeller Foundation built the first Product Development Partnership (PDP) in the form of the International Aids Vaccine Initiative. The PDP model was key to the evolution of the PPP which proliferated across the global health (and other development) sectors in the decades that followed (see Moran (2014: 43–63) for an overview).

In parallel to their work in global health, philanthropists have also been key players in driving impact investing – both through their brokering of financialized development partnerships between private, state and civil society actors, and as active investors in their own right – in a variety of other areas of development. Philanthropists were major contributors to the transformation of the microfinance movement, from a non-profit development initiative into a multi-billion-dollar global market in securitized loan packages (Soederberg, 2013: 598; McGoey, 2014: 116–17). Philanthropy has also supported the expansion of microfinance into a much broader slate of financial inclusion initiatives, an arena in which recent experiments in impact investing have flourished. Philanthropic foundations, including the Gates Foundation, the Mastercard Foundation and the Omidyar Network, have all funded and played convening roles in global partnerships for the promotion of financial inclusion, such as the UN-based Better than Cash Alliance (whose members include governments in the Global South, companies and NGOs) and the Alliance for Financial Inclusion (a coalition of central banks, financial regulatory institutions, development agencies and private sector partners) (Gabor and Brooks, 2017; Mader and Sherratt, 2021). In parallel, the efforts of philanthropies such as the Gates and Rockefeller Foundations have been key to recent trends in the financialization of agri-food chains across the Global South. In 2006, Gates and Rockefeller jointly funded the Alliance for a Green Revolution in Africa, a forerunner to the more recent G7 New Alliance for Food Security and Nutrition, which has been central to extending the reach of global agri-business. These initiatives have their own roots in philanthropy's deep engagement (most particularly that of the Rockefeller and Ford Foundations) in the Green Revolution from the 1960s (Moran, 2014: 89–113; Brooks, 2015, 2016).

As noted earlier, the UN's 2030 Agenda for Sustainable Development, manifest in the creation of the SDGs in 2015, signified a clear commitment to drawing private finance into the realm of international development through diverse impact investing and innovative financing mechanisms. The UN's *Addis Ababa Action Agenda* (AAAA) (UN, 2015) articulated a roadmap for

this proposed path to the future financing of development. Development scholars [Mediavilla and Garcia-Arias \(2019: 2\)](#) point to the explicit role imagined for philanthropy in this project, arguing that ‘the AAAA’s wager on private financing is firm and unequivocal, and that it expressly and decidedly promotes a philanthropy model ... that consists of a *philanthrocapitalism* which is ideologically hegemonic within the FfD [financing for development] system’ [italics in original]. The years since the launching of the AAAA have seen a steady rise in philanthropic financing for development (from US\$24 billion between 2013 and 2015, to US\$42.5 billion between 2016 and 2019¹¹ ([OECD, 2021](#))), and philanthropy has come good on its promise to meet the call to action laid out in the AAAA. Philanthropists around the globe are increasingly platforming, promoting and funding impact investing and innovative financing models ([Kumar and Brooks, 2021](#); [Todesco, 2021](#)). Most recently, the global COVID-19 pandemic has provided fertile ground for the expansion of this project, creating opportunities for a proliferation of new PPPs, blended finance initiatives and (particularly) vaccine bonds ([Sklaire and Gilbert, 2022](#)). It is against this backdrop that we explore the particular contributions to – and divergences from – the global landscape of impact investing for development made by one of the world’s largest but (in academic terms) least explored development philanthropies, the AKDN and its for-profit subsidiary the AKFED.

The AKDN in context: history and early vision of impact investing

The roots of the AKDN’s approach to philanthropy and impact investing can be traced to the historical evolution of the Ismaili community as a global diaspora and the rise of the community as one of the most organized and coherent bureaucracies operating across the globe. One way of understanding the vision of the AKDN is to see the motives and linkages between the concept of charitable giving within the Ismaili community, as well as non-Ismailis and the global extension of these practices through the realm of international development.

Faith-based charity or monetary donations by individual Ismailis for the welfare of the entire community is an extremely important pillar of the Ismaili community. The extension of this approach to non-Ismailis has been a historical trend. In East Africa, [Walji \(1974\)](#) has looked at the early settlement of Ismailis from India to Zanzibar, documenting the community’s role in setting up, free of cost, early education schools for all children without regard

¹¹ It should be noted, however, that 38 per cent of this total comes from the Gates Foundation alone.

to their religious belief. This can be understood as a way of integrating in a new life and strengthening their expanding entrepreneurial rise as a trader and merchant community. Similarly, an important aspect of the AKDN's global expansion is its operation as a cohesive bureaucracy which was established foremost to serve the needs of the Ismaili community. Nanji (1974) has noted the constitutional development of the Ismaili community in East Africa, which among other aspects also focused on the welfare of the community. A new constitution in 1926 established provisional councils in areas which later became the three East African territories of Tanganyika, Uganda and Kenya (Nanji, 1974: 128).¹² The creation of a transnational bureaucracy for the Ismaili community during the colonial period, paved the way for the evolution of a global development network beyond the Ismaili community.

As a large diaspora which resided in geographically diverse states, there was a strong need to secure a distinct identity and protection from discrimination. A first step to enable this was to establish a coherent bureaucracy which took care of the socio-economic and political welfare of the community. Securitization against risk is an important idea, which defined the community's place in diverse geographies and informed its philanthropic approach. In the absence of a nation state, expanding philanthropy was a way of giving back to the particular nation state in which Ismailis were based. The Aga Khan has addressed the Ismaili community's duty to the states in which they reside on numerous occasions. Securitization against risk can also be interpreted in the drive for achieving economic success. Although the stability of all diasporas is contingent on their ability to conform to capitalist development in different states, successful entrepreneurship in the Ismaili community has been a recurrent theme throughout history and a key instrument for rapid social mobilization. The private sector has also played a dominant role in welfare provision for the Ismaili community. Aga Khan hospitals, universities and different financial services operations offer a combined for-profit and non-profit set of services for Ismailis living outside the developed West. The regression and failure of essential public services such as health and education in many Global South countries has strengthened this approach over the years. In this sense, the AKDN's philanthropic approach to impact investing through international development is based on an existent internal model.

The AKFED: impact investing at the AKDN

As noted earlier, the AKFED sits among the ten agencies that make up the AKDN. While it is the only one among these that works on a for-profit

¹² The earliest constitution given to Ismaili community in East Africa dates to the year 1899 (Nanji, 1974: 128).

basis (generating profits for reinvestment into the AKDN's wider range of development activities), literature produced by the AKDN suggests that expertise and technical capacity – as well as funds – are often shared across its agencies to support the roll-out of different programmes. The AKFED supports a vast investment portfolio of companies, commercial projects and PPPs across 18 countries,¹³ in sectors including infrastructure, agribusiness, banking and financial services, tourism and media services. These wide-ranging activities under the rubric of 'investment for development' date back to the earliest days of the AKDN, with some pre-dating the official foundation of the Network. Next, we look briefly at some of these projects, before examining the ways in which ideas we now associate with 'impact investing' and the capacity of markets to generate both financial and social returns, shape and are woven through the AKFED's work.

The AKDN's website notes that '[i]n the early 1960s, a group of companies was set up under the corporate name Industrial Promotion Services (IPS). Each company was created to provide venture capital, technical assistance and management support to encourage and expand private enterprise in countries of Sub-Saharan Africa and South Asia'.¹⁴ Following growth into new areas including packaging, agribusiness, agro-processing and infrastructure throughout the 1990s and 2000s, the AKFED's portfolio currently comprises over 40 'industrial project companies'. One such company is Frigoken Ltd, founded in 1994 in Kenya, which 'provides agricultural extension services to around 70,000 small-scale farmers to produce various agricultural produce including green beans',¹⁵ for export to markets in Europe.

Through its IPS group, the last two decades have also seen expansion of the AKDN's work in infrastructure, where the 'AKFED works with governments, international corporations, international financial institutions and donors to create solutions to pressing infrastructure needs, including power generation, telecommunications and water supply services'.¹⁶ In 1999, the AKFED made its first infrastructure investment with the US\$225 million Azito Energie project. Located in the Ivory Coast, this was sub-Saharan Africa's biggest private power plant, and today generates 30 per cent of the

¹³ These include: Afghanistan, Burkina Faso, Burundi, the Democratic Republic of the Congo, India, Ivory Coast, Kenya, the Kyrgyz Republic, Madagascar, Mauritius, Mozambique, Pakistan, Rwanda, Senegal, South Africa, Tajikistan, Tanzania and Uganda (see: www.akdn.org/our-agencies/aga-khan-fund-economic-development).

¹⁴ Industrial Promotion Services: www.akdn.org/our-agencies/aga-khan-fund-economic-development/industrial-promotion-services-ips

¹⁵ Industrial Promotion Services: www.akdn.org/our-agencies/aga-khan-fund-economic-development/industrial-promotion-services-ips. See also Gupta (1999).

¹⁶ Industrial Promotion Services: www.akdn.org/our-agencies/aga-khan-fund-economic-development/industrial-promotion-services-ips

country's electricity. This was followed by Kenya's first privately financed 'open-bid' project, the 75MW Kipevu II Power Plant.¹⁷

Another key area of investment for the AKFED is banking and financial services. The AKFED owns and invests in a slate of private commercial banks and insurance companies, many of which also provide financial inclusion services to 'unbanked' populations. Among these is HBL, Pakistan's biggest bank. HBL is described by the AKFED as 'a bank with a soul', whose

spending on social and developmental causes is the highest of any bank in the country. ... HBL provides easy access to financial services for those previously lacking access to banking, such as residents in remote areas or those with little financial education. Viewing itself as 'a technology company with a banking licence', the Bank uses digital tools such as HBL Konnect, which serves 7.1 million customers across the country. ... During the COVID-19 pandemic, HBL's digital systems enabled the delivery of the Ehsaas Emergency Cash programme, the largest social safety net initiative in Pakistan's history.¹⁸

HBL also operates a microfinance bank, with more than 1.8 million borrowers. This sits within a larger portfolio of microfinance operations across the AKDN, many of which run through its dedicated microfinance arm (one of the AKDN's ten agencies), the Aga Khan Agency for Microfinance (AKAM). Established in 2005, the AKAM brings together a range of microfinance and microlending programmes across the AKDN, some of which have been operating for over 60 years. Collectively, these programmes provide loans to over 300,000 clients.¹⁹

Further areas of activity within the AKFED include significant investment in the tourism sector. Since at least the mid-1990s, the AKFED's Tourism Promotion Services arm (trading under the brand 'Serena Hotels'), has been building and managing 'hotels, resorts, palaces, forts, safari lodges and camps in an environmentally and culturally sensitive manner in the Eastern Africa region (Kenya, Mozambique, Rwanda, Tanzania, Uganda and Zanzibar) and in three countries in Central and South Asia (Afghanistan, Pakistan and

¹⁷ Our Partners: www.akdn.org/about-us/our-partners. See also Frequently Asked Questions: www.akdn.org/about-us/frequently-asked-questions and Industrial Promotion Services: www.akdn.org/our-agencies/aga-khan-fund-economic-development/industrial-promotion-services-ips

¹⁸ A bank with a soul: How HBL is enriching lives: www.akdn.org/project/bank-soul-how-hbl-enriching-lives

¹⁹ Aga Khan Agency for Microfinance: www.akdn.org/our-agencies/aga-khan-agency-microfinance/aga-khan-agency-microfinance-who-we-are

Tajikistan)’.²⁰ The AKFED reports that Serena Hotels are designed to provide ‘economic stimulus through employment, training and local sourcing, and support social activities that improve the quality of life and environmental sustainability of local communities’,²¹ thus causing “‘ripple effects” in the local economy’.²² This, the AKFED notes, ‘is best demonstrated through a case study of the International Finance Corporation’s (IFC) investment in the Kigali Serena Hotel, Rwanda. According to value chain analysis, Kigali Serena Hotel has generated almost US\$ 64 million in economic activity in the Rwandan economy between 2007 and 2011.”²³ In addition to all of the above, AKFED runs the Nation Media Group, created by Aga Khan IV in 1960. Quoted on the Nairobi Stock Exchange, the Group now operates print and electronic media services across East Africa, including Rwanda, Uganda and Tanzania.²⁴

The AKDN’s application of for-profit development strategies, seen most clearly in the work of the AKFED, reveals an explicitly pro-market approach to development philanthropy. The AKFED’s diverse projects, and the discourse surrounding them in the AKDN’s own literature, reflect deeply integrated notions concerning the capacity of free-market and privatized economic models to bring greater prosperity to all, alongside a clear commitment – founded on this assumption – to a market-based rationale for development intervention. In an example of this discourse, the AKDN’s website tells us that the AKFED

works with governments to help promote the creation of enabling legal and fiscal structures that encourage the growth of the private sector. At the invitation of several governments, AKFED has helped critical industries to make the transition to market economies through the privatisation process. ... AKFED’s approach emphasises the development of local human resources over time, including managerial, technical, marketing and financial skills. Other

²⁰ Tourism Promotion Services: www.akdn.org/our-agencies/aga-khan-fund-economic-development/tourism-promotion-services-tps

²¹ Inauguration of NOVA University’s Westmont Hospitality Hall inspires hope for tourism: www.akdn.org/press-release/inauguration-nova-universitys-westmont-hospitality-hall-inspires-hope-tourism

²² Tourism Promotion Services: www.akdn.org/our-agencies/aga-khan-fund-economic-development/tourism-promotion-services-tps

²³ Tourism Promotion Services: www.akdn.org/our-agencies/aga-khan-fund-economic-development/tourism-promotion-services-tps

²⁴ Media Services: www.akdn.org/our-agencies/aga-khan-fund-economic-development/media-services

characteristics of this approach include providing essential seed capital to launch projects in those sectors and countries where attracting investment is difficult.²⁵

Recent literature in the field of critical development studies has examined the evolution of this ‘trickle-down’ approach to international development – as seen in the Washington Consensus – into more integrated forms of financialized development strategy, posited on the compatibility of social development impact and financial return, and materialized through impact investing, innovative financing and PPP models (as discussed earlier). [Gabor \(2021\)](#) has coined the approach of this new era of development the ‘Wall Street Consensus’ (see also [Mitchell and Sparke, 2016](#)). Associated with this shift is a move away from commitments to provision of direct foreign aid towards ‘sustainable investment’ models and the building of new markets at the ‘Bottom of the Pyramid’, through which entrepreneurial development subjects are enjoined to seek their own redemption from poverty ([Dolan and Roll, 2013](#); [Dolan and Rajak, 2016](#)). These different ideas can be seen reflected in the Aga Khan IV’s own descriptions of the work of the AKDN, as in this extract from a speech made during the opening of the Kampala Serena Hotel in Uganda in 2006:

[T]he Serena projects exemplify a larger strategy. In all of these places, our goal is not merely to build an attractive building or to fill its rooms with visitors, but also to make a strategic investment which many private investors might be reluctant to make, but which promises to produce a magnificent multiplier effect as its impact ripples through the local communities. The multiplier effect is in part an economic one. It is measured in jobs—created in building, maintaining and operating the new facility. The impact is measured by the flow of visitors and their resources—and by the investments they are encouraged to make. It is measured by the returns it generates for local investors, as our projects achieve stability and their shares are placed on local stock exchanges. It is also measured in the motivating effect a successful new enterprise almost inevitably has on other local enterprises. But these ripple effects need not be limited to the economic sector. Their impact can also be a social and a cultural one, as this project works to re-enforce the values of hospitality and courtesy, of excellence and efficiency, of community and confidence, of self reliance and self improvement. (Aga Khan IV, quoted in [Poor, 2014](#): 184–5)

²⁵ Tourism Promotion Services: www.akdn.org/our-agencies/aga-khan-fund-economic-development/about-aga-khan-fund-economic-development

Observers have also identified the broader trends outlined earlier in the AKDN's approach to development philanthropy. Over two decades ago, Forbes journalist Pranay Gupte (1999) labelled the late Ismaili Imam 'venture capitalist to the third world' in recognition of this approach, arguing that the Aga Khan IV had 'changed the face of global philanthropy' and

was early among experts in Third World development to grasp that government handouts and multilaterally funded megaprojects often foster dependence, not self-reliance, in the people they're meant to help. To counter this danger ... through his economic development institutions, he is increasingly taking equity positions in small-scale commercial enterprises. His goals: to reduce what he calls 'aid dependence,' and to spur sustainable economic development and individual self-reliance at the grassroots level. ... Like a Silicon Valley venture capitalist, AKFED looks at its equity stakes in small-scale entrepreneurial projects as future sources of new money that can be reinvested in the businesses and, eventually, fund new projects.

Recent work at the AKDN has, it seems, begun to adopt the terminology of the Euro-American shift towards impact investing and innovative finance. This has seen the emergence of new projects, such as the design of an impact bond to support 'family literacy' in Portugal, and the building of a global network of angel and impact investors for the Accelerate Prosperity programme for small entrepreneurs in countries such as Pakistan, where the project has established a National Health Incubator to 'catalyse commercialisation in the country's health sector'.²⁶ As noted by Gupte in the quote reproduced earlier, however, the AKDN's underlying approach to development-as-investment and the practices through which this is pursued – as seen in the AKFED's heavy investment in PPPs from the early 2000s, and its microfinance strategies dating back to the 1960s – were a significant part of its work far before this 'shift' took place in the realm of Euro-American development philanthropy.

Conclusion

How then, should we place and consider the AKDN with reference to this 'shift' towards philanthropic impact investment – and the literature that explores it – as we have discussed? The case of the AKDN demonstrates both alignments and important challenges to this body of academic work,

²⁶ www.akdn.org/press-release/accelerate-prosperity-and-aga-khan-university-launch-pakistans-first-national-health

most of which is framed within the limited parameters of Euro-American philanthropy.²⁷ The history of influences which led to the historical evolution of the Ismaili community and the rise of the AKDN show that the community's need for protection and global recognition were important drivers in extending its domestic philanthropy efforts to the realm of international development. The private sector was always an important actor in serving the goals of philanthropy for the Ismaili community, and this understanding of impact investing was later translated to international development. However, impact investing took a more mainstream and international turn as the AKFED strengthened its role. Within this role it is important to highlight that impact investing practices at the AKFED, such as PPPs, microfinance and other forms of financial inclusion, and the broader pursuit of the alignment of social impact and financial return through private sector investment, clearly predate their emergence among philanthropists in the Global North.

This poses a challenge not only to the timeline usually traced for the encroaching financialization of global development interventions, but also to the assumptions that an impact investing approach is a diversion from earlier approaches to development philanthropy, and that the origins of philanthropic impact investment are to be found in the Euro-American development sector. The work of the AKDN and the AKFED suggests, on the contrary, that impact investing may be a far earlier, more widespread and more deeply integrated practice among development philanthropists in the Global South than has previously been recognized.

While AKFED has only recently begun to apply the label 'impact investing' to (parts of) its work, the analysis provided in this chapter demonstrates striking historical similarities between the aims and practice of the AKFED's work and that now emerging across the global philanthropic landscape under this label. Indeed, analysis of the AKFED's historical practice reveals a long-term and hubristic *enactment* of impact investing. This is seen not only in the details of the AKFED's investment practice, but in its explicit *framing* of that practice, in which impact investing's most central tenet – the collapsing of boundaries between the search for social impact and financial return – is regularly articulated as the driving force behind investment decisions. For decades, the AKFED has, as such, confidently broadcast the idea that profit and impact are seamlessly compatible aims. In addition, Aga Khan IV located the justification for these claims in the religious and cultural origins of the AKDN's work; impact investing is presented here as an expression of the values of the global Ismaili community.

²⁷ For exceptions to this rule, see, for example, Sial and Doucette (2020); Kumar (2021); Sklair (2022).

In the work of the AKFED, we thus find a specific ‘local’ context – albeit one operating at scale across several countries – in which impact investing is far from a novel practice. While not historically labelled as such, impact investing was a practice enacted at the AKFED decades before it emerged in the Global North, and one which is deeply embedded in the religious and political context of the Ismaili’s diasporic community. The case of the AKDN thus compels us to place emergent practice labelled as ‘impact investing’ within a broader global context of investment practice seeking both impact and financial return, and gives pause for thought on the validity of claims for impact investment’s novelty and Northern origins.

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Socio-genesis of the Impact Investing World in France

Eve Chiapello and Camille Roth

1. Introduction

Impact investing (II) practices were invented both in the US and in the UK. In the US, the Rockefeller Foundation launched the ‘Impact Investing Initiative’ from 2008 to 2011 ([Jackson and Harji, 2012](#); [Barman, 2015](#)), and in the UK, Sir Ronald Cohen (co-founder of the first venture capital fund set up in Europe in 1972) developed what he has named ‘social finance’ since 2000, and whose proposals were finally taken on board under the Gordon Brown government (2007–10; [Golka, 2019](#)). The popularity of the II concept can be traced through a number of initiatives both transnationally (by bodies such as the G8 or the European Union) and nationally (in this chapter, France), which reflect II’s gradual diffusion. Two main financial arrangements are part of II practices. First, the establishment of impact funds principally modelled on venture capital or private equity funds. Since investees are small, unlisted organizations, impact funds allow individuals to take shares in such (social) enterprises. Second, Social Impact Bonds (SIBs) that aim to finance non-profit activities. The financial return of SIBs is most often provided by a public actor (sometimes a philanthropic one) if the impact objectives are met.

In France, II started to be officially recognized in 2013, with a first report published by an advisory board to the prime minister ([Guezennec and Malochet, 2013](#)). Then, France participated in the ‘Social Impact Investment Taskforce’ ([SIITF, 2014](#)) chaired by Sir Ronald Cohen and set up by the G8, resulting in the production of a national report by a committee of French individuals ([Sibille et al, 2014](#)). It brought together some representatives of the first social private equity funds created in France in previous years

(not yet presenting themselves as impact funds), and the main organizations specialized in the financing of social activities; claiming to be in the field of solidarity finance and not of II (Chiapello and Godefroy, 2017). This report, produced in response to an external order, marks the beginning of the institutionalization of the concept in France. An organization (iiLab) was created in 2016 to continue the work of the French committee, and later published other reports. The concept and associated practices have progressively developed, being taken on board by the French government who launched two waves of SIBs. The first took place in March 2016 (eight SIBs), then the government commissioned the Lavenir report (2019) on the experience of the first SIBs to prepare for the second wave, launched between November 2020 and March 2021 (16 new SIBs). As a sign of the success of the notion of impact in the world of social entrepreneurship, the association of social entrepreneurs (Mouves) changed its name in 2019 to become Impact France following its merger with the Tech for Good association. The professional association dedicated to private equity activities (formerly AFIC and renamed France Invest in 2018) created an impact section in 2012. By 2017, 15 asset management companies were members (Condé Piquet, 2017), and three years later the 2020 directory counted 80 impact funds and estimated the number of dedicated professionals at 200 (France Invest, 2020).

The purpose of this chapter is to trace the trajectory of the II concept in France and to show how, little by little, a social world, made up of a plurality of professionals, has developed to give birth to what is designated as impact investing in France. We define a social world in the manner of H. S. Becker when he talks of art worlds:

Art worlds consist of all the people whose activities are necessary to the production of the characteristic works which that world, and perhaps others as well, define as art. Members of art worlds coordinate the activities by which work is produced by referring to a body of conventional understandings embodied in common practice and in frequently used artifacts. (Becker, 1982: 34)

When Becker describes art worlds, he demonstrates that the creation of a work of art is a collective process, and his concept is meant to be transferable to other social worlds (Becker, 1982: 368). Becker was particularly attentive to the consideration of all the activities and personnel contributing to the making of a work of art, a way for him to remind us that the centrality of the artist, to whom all the creative power is attributed, is a convention. Becker, in particular, aims to make visible the magnitude of the work done by the so-called ‘support personnel’. Regarding II, this means that we should not stop at the work of the investors, but also consider the work of

the invested organizations and all those who contribute to the existence of these practices: public authorities, consultants, evaluators, business schools, foundations, and so on.

What gives a social world its coherence is the ability of all these people to coordinate around a set of conventions. In the case of II, these conventions are borrowed from the social world of entrepreneurship and start-ups (with their procession of incubators, accelerators and challenges), from the world of asset management, and finally from the worlds of social economy and social entrepreneurship. The world of II is constituted and organized at the crossroads of these older worlds. A great many of the professionals who have embraced II in France come from them,¹ and together they participate in the production of something that they label ‘impact investing’. Obviously, this is the story of an importation, as the concept and the idea were not born in France, but they were adopted and redefined by the French. The concepts were translated to French (*investissement à impact* for impact investing, and *Contrat à Impact social* for SIBs), and this integration into the French system relies on particular features of the French political economy, notably organizational specificities of the social and the finance sectors.

To tell the story of the creation of new social worlds, we can try to follow the traces of institutional entrepreneurs (Garud et al, 2007): for example, the people who create dedicated associations (such as iiLab in 2016). We can also identify various milestones. However, our purpose is to describe a history less centred on big names and dates, which is able to account for the emergence of a whole field of economic activity and for the multiplication of actors who recognize themselves in II. Each one of them, like Becker’s ‘support personnel’, contributes to the creation of the social world of II.

In order to achieve this project, we sought a methodological means to give substance to the multitude of actors making this social world, and to allow a processual analysis able to decipher variations over time. Using data extracted from the microblogging platform Twitter (now called X),² we have built a social history of II in France. This research is based, as explained in Section 2, on the collection of all the tweets issued by French accounts that have evoked II since the invention of the notion in 2008. These data enable us to cover a whole set of issues, including the time frame and the pace for the development of II in France, the involved actors and, more broadly, how

¹ This can be observed almost every time one tries to find out about people’s career paths.

² We decided to keep the name Twitter, which was the brand name when we originally extracted the data. At that time, it was also possible to use (free of charge) the so-called ‘API v2’ from Twitter, dedicated to academic use.

we can account for the successful adaptation to the French context of the concept and related practices, and what kind of transformation accompanies this institutionalization.

The remainder of the chapter is structured as follows. We present the methodology and our sample in [Section 2](#). We then present our results in [Sections 3](#) and [4](#), before concluding in [Section 5](#).

2. Methodology

2.1. Choice of fieldwork based on Twitter activity

Rationale

Impact investing is a ‘concerned market’ ([Geiger et al, 2014](#)) – in the same way as fair trade or the market for ‘green’ products. The actors who build the field of II concurrently build a cause (‘making money and doing good’) and a managerial normativity (a set of good practices) that should be shared and disseminated. For these reasons, they need to be present in the public space: they promote a new vocabulary; they produce reports and policy papers that need to be publicized; they act partly as social movement actors, doing some sort of missionary work. They create a cause, forge their arguments, constitute coalitions, and try to change the representations and the morality of a field (for example, doing good and making money are not incompatible).

Given their low entry cost and eminently decentralized nature, online public spaces enable the participation of a wide range of actors who would otherwise find it more difficult to reach a broad audience ([Van Aelst and Walgrave, 2002](#)). As a result, these spaces have naturally and increasingly become of primary importance to myriad dedicated advocacy groups and individuals who further contribute to the collective shaping of a given issue or cause – and possibly, in turn, influence the structuration of the social world associated to it ([Bennett, 2003](#)). The world of II is no exception. Its actors use online platforms to publicize their initiatives, announce publications and celebrate achievements. For this world we contend that, of all platforms, Twitter is of particular interest and relevant for two main reasons.

First, the platform is predominantly a communication and information-sharing space, albeit not devoid of sociability. This is due to an array of socio-technical features whereby (1) users may unidirectionally follow (that is, subscribe to) other user accounts, indicating an interest in another user’s opinions without the need to reciprocate, alleviating the need for pre-existing social connections; and (2) publications, called ‘tweets’, are short (a maximum of 280 characters at the time of our survey) and may be liked, commented,

relayed, quoted and replied to, thus fostering conversations, debates and ultimately acquaintances between users. Twitter is also heavily used for marketing, corporate communication and academic purposes, including by business schools (who are involved in II diffusion). Twitter is, therefore, quite a relevant medium for II at the interface between the economic and activist worlds (Guo and Saxton, 2014; Castelló et al, 2016). Twitter is accessible to important actors, and many large organizations (for example, the Organisation for Economic Co-operation and Development – OECD and BNP Paribas – hereafter known as BNP) may command numerous distinct accounts. However, we can also observe a multitude of smaller actors that may be considered as ‘support personnel’ in Becker’s sense. In broad terms, they express themselves as professionals involved in II. They advertise their services, share what they consider useful economic information or studies, announce events, attend to their reputation, make themselves known as experts, and establish self-interested social connections (geared towards either a policy-oriented or a business project). They develop the concept of II by talking about it, illustrating it, organizing meetings and offering services tied to this notion.

Second, so-called hashtags (that is, words prefixed by a # sign) and keywords are spontaneously used to associate tweet content with a certain topic or public matter (for example, #climatechange, #fridaysforfuture, #savetheplanet) and to form ‘ad hoc publics’ (Bruns and Burgess, 2011). For a specific topic, relatively few hashtags and terms make it possible to capture a sizeable share of relevant content, with little noise, and eventually many of the actors who are active on that topic. As such, the use of small lists of manually curated hashtags is now a common approach to define topical Twitter perimeters.

Potential and limitations

All these features hint at the alluring possibility of describing, longitudinally, the whole morphogenesis of an online world from its very beginnings. As a text-oriented social media, Twitter data offer the possibility to study this world in a hybrid relational and informational manner (that is, in a socio-semantic manner; Roth and Cointet, 2010). We are indeed able to trace inter-actor relationships through, for instance, the analysis of *retweets* (relaying someone else’s publication) and *mentions* (mentioning another user’s account name, which triggers a notification on their side). Thanks to so-called profile metadata, which may include a textual self-description, a link to their webpage, and/or a self-declared geographical location, we can code the type of actors and better describe who animates and pushes the topic of impact investing across time. Finally, tweet contents

may be quantitatively and longitudinally analysed, for instance, through a lexicometric lens.

Conversely, our approach likely under- or over-represents certain strands of actors. Obviously, we do not consider those who do not communicate through Twitter; some of whom are nonetheless quite central in the domain, as evidenced by the very late arrival of Sir Ronald Cohen on Twitter (in May 2020). Similarly, representation biases may stem from an unequal penetration of Twitter in various population segments (for example, political figures versus small consultancies) or, as mentioned earlier, the fact that some actors, especially organizations, control several accounts through community managers. In general, we do not consider the offline importance of accounts in our analysis (that is, we do not weight results in this regard). For this study, one account equals one actor and thus, counts for one vote.

Other sources

Even if this chapter is mainly based on Twitter data, our interpretation also makes use of our constant monitoring of the subject since 2012. We extensively collected discourses and online information concerning the actors and promoters of the II market, including think tanks, foundations, financial actors, and so on. We collected and read a great many publications produced internationally by banks (for example, J.P. Morgan, Credit Suisse), audit and consulting firms (for example, Monitor Deloitte, McKinsey & Company, Boston Consulting Group, KPMG International Limited), international organizations (for example, the OECD, the World Bank, the G8), universities (for example, Stanford University, Northwestern University, Harvard University), large foundations (for example, the Rockefeller Foundation, the Roberts Enterprise Development Fund, Bertelsmann SE & Co. KGaA), special network organizations (for example, EVPA, the Social Finance Institute, the World Economic Forum, the European Sustainable Investment Forum), but also public bodies in different countries. Our review also included publications and reports in French or by French institutions, such as the report written as part of an international initiative by the G8 ([Sibille et al, 2014](#)), as well as documents from the financial market place association (for example, Paris Europlace, Finance for Good), the French business schools (for example, HEC Paris, the École Supérieure des Sciences Economiques et Commerciales), the associations dedicated to social finance (for example, Finansol, renamed Fair after its merger with iiLab in 2021) and social entrepreneurship (for example, Avise or Mouves, renamed Impact France Movement in 2020). In addition to this grey literature, we did online research on most of the actors identified as holding Twitter accounts and listened to their interviews when available online.

2.2. Data collection

Global Dataset

We built a corpus of all tweets ever published on Twitter that mention any term belonging to a manually defined set of English keywords relevant to the topic of impact investing: namely, *impactinvest*★, *impactbond*★, *impactfinance*, *socialfinance*, *#impinv*, *#socialimpactbonds*. On 18 October 2021, through an academic access to the Twitter API, we collected a total of 1.89 million ‘relevant tweets’, published between 2007 and 2021, corresponding to around 299,000 users. We then reduced this volume and focused on accounts that were sufficiently active on the topic, or had a minimal audience, in order to capture actual participants to the II social world. Therefore, we considered temporal slices at the granularity of the academic year (AY) that starts in September and ends in August: thus, AY 2019 corresponds to the period between September 2018 and August 2019 (hereafter referred to as 2019). To deem a user ‘sufficiently’ active to take them into account for any given AY, we initially aimed at requiring a minimal activity of one relevant tweet a month (that is, 12 tweets per year). However, we observed that some very influential users could be weakly active, while being nonetheless important to Twitter’s impact investing ecosystem in an AY (for instance, in terms of retweets). As such, we decided to factor in the influence as measured by the number of followers. This enabled us to compute a *composite activity* score that sums a user’s raw number of relevant tweets published over a given year, with their decile of influence (from 0 to 9), computed on their number of followers, over all users publishing at least one relevant tweet in that year. For instance, a user publishing three tweets, while being in the top 10 per cent of followers publishing anything on II in a given year, would garner a composite activity score of 12, thus passing the bar. On the whole, this condition further yields a total of 16,486 users, which is the maximal extent of the perimeter of what we deemed the *Global Dataset*.

Geographical tagging

We then collected profile metadata for these users to get more qualitative data (that is, each user’s self-description, a potential link to their webpage, and their self-declared geographical location). This, in turn, enabled us to automatically assign a country of origin to users, using the GeoPy python library v2.2.0 ([GeoPy Contributors, 2021](#)). This latter process incurred a certain rate of erroneous classifications, principally due to strings that could not be attributed to a specific location (such as ‘somewhere in the world’). This led us to define several extra categories, such as ‘N/A’ (in the absence of information or the incapacity of the detector to find anything), as well as a few supra-national categories, such as ‘Africa’, ‘EU’ and ‘Global’ (used

by many users to describe their location, without being more precise).³ We use ‘Europe’ for accounts with a location field labelled as either ‘Europe’ or as a minimum of two countries of European origin.

Impact investing is a movement that started in the US and the UK. There was a very strong acceleration of the concept in the US, Canada and the UK in 2011. The movement appeared later in France. Table 3.1 shows the temporal evolution of the number of accounts that pass the composite activity threshold, for each AY: France is the seventh country in the world, the second in Europe after the Netherlands (Switzerland is probably before France relative to its population size).

French Dataset

We subsequently built a *French Dataset* comprised of two subcorpora. First, all tweets from France-based users in the Global Dataset, which corresponds to 27,274 tweets from 289 accounts. Second, another data collection performed on 16 December 2021, similar to the English collection, yet based on a set of French keywords (*investissement[s]aimpact*, *financeaimpact*, *contrat[s]aimpact*), which yielded 12,381 tweets from 2012 to 2021. Since we adopt a protocol similar to that of the Global Dataset, influence deciles are based on the French-speaking population and differ from those of the Global Dataset. To make sure we kept all France-based users from the Global Dataset (so that we consider both their English and French tweets), we needed to slightly adjust the composite activity threshold to nine. These data eventually contributed 3,065 tweets from 234 accounts to the French corpus. Of them, 117 (50 per cent) are not in the Global Dataset (even though 40 of them posted tweets without passing the composite activity bar).

This leads to a French Dataset made of 30,331 tweets featuring 366 distinct user accounts. Among them, 157 use both the English and the French keywords, 77 only use the French ones, and 132 only use the English. Ninety-six per cent of the dataset’s accounts are situated in France.⁴

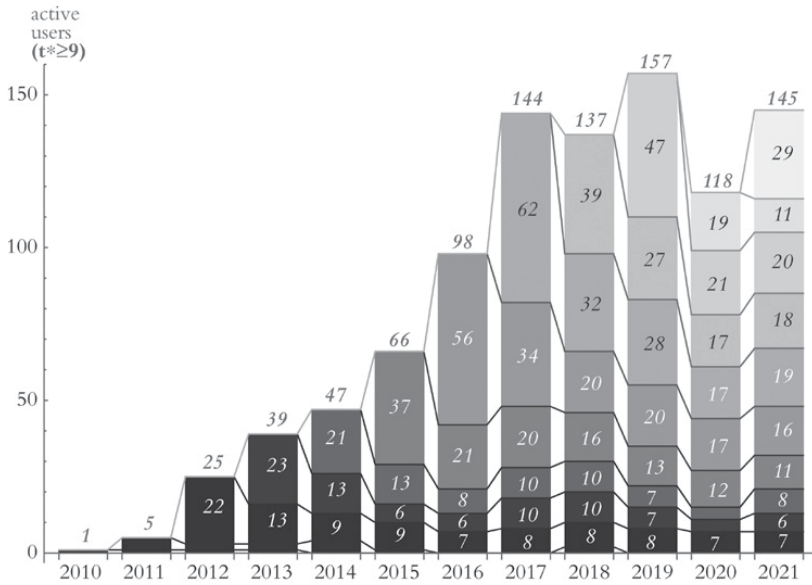
³ However, we manually observed an over-representation of US accounts in those declaring a ‘Global’ location.

⁴ Among these 366 accounts, only 22 are not physically based in France (6 per cent), but are French speakers based abroad (that is, non-residents having studied in France, or people working for French companies abroad). Among the France-based accounts, another 6.8 per cent concern accounts from international organizations located in France (for example, 11 accounts from the OECD; five accounts from the INSEAD business school; five other international network accounts), or extranationals with residences in France, but whose activities are internationally oriented (five accounts).

Table 3.1: The development of impact investing as measured by the number of accounts in the Global Dataset, broken down by self-declared home location (a list of the 18 most represented locations)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total		
US- Total	0	0	6	29	269	623	919	1223	1858	2006	1937	1888	1540	1059	935	14292	45%	US- Total
United Kingdom	0	0	1	7	96	200	319	346	509	491	559	672	681	516	452	4849	15%	United Kingdom
Canada	0	0	4	12	63	150	215	237	346	275	308	317	314	198	150	2589	8%	Canada
Global	0	0	1	4	30	49	78	86	119	138	156	170	163	127	106	1227	4%	Global
Australia	0	0	1	1	6	26	53	66	156	184	211	208	122	107	74	1215	4%	Australia
India	0	0	1	1	12	28	43	72	84	95	120	131	108	89	80	864	3%	India
Netherlands	0	0	0	1	9	13	23	36	56	69	82	79	76	53	34	531	2%	Netherlands
France	0	0	0	1	4	13	33	29	38	39	73	74	91	52	36	483	2%	France
Switzerland	0	0	0	0	6	12	20	24	42	50	60	88	78	54	37	471	1%	Switzerland
South Africa	0	0	0	0	7	11	20	21	37	55	52	64	68	62	38	435	1%	South Africa
Italy	0	0	0	1	4	15	25	36	44	35	42	46	47	29	22	346	1%	Italy
Kenya	0	0	0	0	4	7	10	20	27	45	35	40	62	44	43	337	1%	Kenya
Spain	0	0	0	0	5	12	20	28	35	46	43	42	49	30	25	335	1%	Spain
Africa	0	0	0	1	5	9	17	23	33	37	46	38	51	36	32	328	1%	Africa
Germany	0	0	1	1	3	7	14	16	33	31	38	45	44	49	38	320	1%	Germany
Nigeria	0	0	0	0	0	3	9	13	20	18	27	32	32	41	24	219	1%	Nigeria
Europe	0	0	0	0	3	8	12	12	24	23	21	25	34	20	22	204	1%	Europe
Belgium	0	0	0	0	1	7	8	7	14	19	24	30	33	20	17	180	1%	Belgium

Figure 3.1: Temporal evolution of the number of French Dataset accounts above the composite activity threshold. Levels of grey correspond to cohorts, making it easier to visually follow the number of newcomers and the attrition of accounts.



3. The social world of impact investing, as seen from Twitter

3.1. Growth of the French impact investing world

Activity evolution

To study the population that composes the French II world on Twitter, we first turn to the simplest of all metrics: the evolution of the number of active accounts over the years. This is summarized in [Figure 3.1](#), which breaks down activity per year and per cohort, defined by the year an account first passes the composite activity threshold. In contrast to the Global Dataset ([Table 3.1](#)) where a decrease in accounts was observed in 2021 for France, we see no such trend in the French Dataset (which also includes accounts that use French keywords). Activity remains high from 2017 on, despite a small decline in 2020 (during the COVID-19 lockdown). We also observe a smaller attrition rate in the French Dataset. Less than 30 per cent of a cohort's accounts have disappeared one year later, as opposed to more than half in the Global Dataset.

In more detail, we observed three peaks. We hypothesize that this evolution is largely driven by the government (as we shall confirm below by analysing

the retweet network). The first peak in 2017 (that is, September 2016 to August 2017) is concurrent with the launch of the first SIB *Call for Expression of Interest*⁵ in November 2016 (decisions were made in March/June 2017). The second peak in 2019 may be related to the publication of the Lavenir Report focusing on the first SIBs. Finally, the 2021 peak could be due once again to the launch of three new *Calls for Expression of Interest* on SIBs (two in November 2020 and one in March 2021).

At the time of the first peak in 2017, Twitter was already a mature platform. The comparison between the creation dates of the French Dataset's accounts with the date of their first relevant tweet demonstrates that the II theme was adopted by people who were already present on the platform. Indeed, 69 per cent of the accounts in the French Dataset were created before 2013 (32 per cent before 2010), while most of the accounts (84 per cent) only started discussing II after 2014 (70 per cent after 2016).

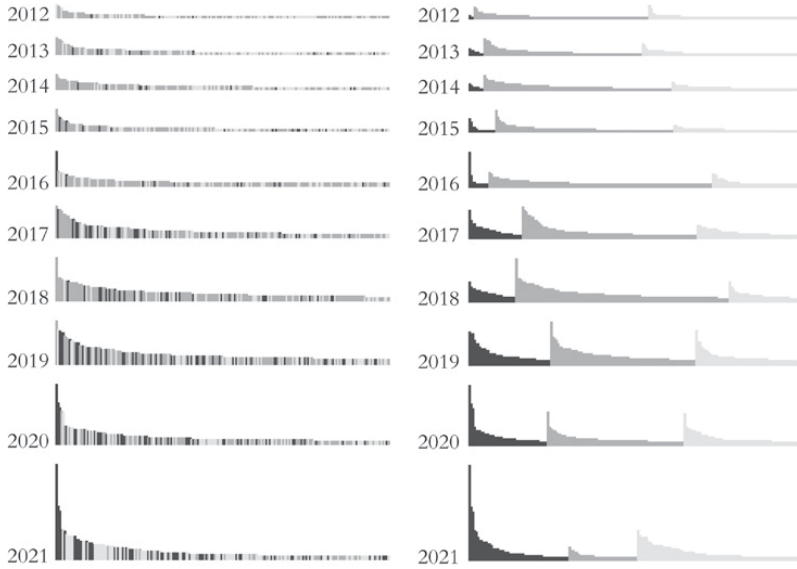
Evolution of links to the international II world

The formation of this French II world may also be described in relation to its interactions with the broader international II world. To this end, we consider the evolution of the list of accounts that are most mentioned by actors in the French Dataset. Mentions are an example of which accounts actors pay the most attention to, in terms of whom they attempt to trigger a conversation with (mentions elicit a platform notification on the side of the targeted account). We more precisely focus on the provenance of these accounts as belonging to the French Dataset, the Global Dataset, or accounts outside both these scopes. We plot the temporal distribution of these provenances, ordering them in two different manners (Figure 3.2): first by importance (from most to least quoted), and then by provenance (grouping them according to their origin dataset and then, again, by importance).

We see that French targets are increasingly present, although there remains an overall majority of Global Dataset targets, except at the very end of the observation period in 2021. At the beginning of the research, the dataset comprises mostly Global Dataset accounts, as the notion did not yet exist in France – it has thus evidently been imported. It then took several years for the discussion to become more internal to the French II world. We also notice that relevant tweets mention a significant number of 'external' accounts (that is, that neither belong to the Global Dataset, nor to the French Dataset) even if they mention 'internal' accounts more often. This can be considered as a proxy for the degree of closure of the social world we are

⁵ *Appel à Manifestation d'Intérêt* in French.

Figure 3.2: Evolution of the 200 most-mentioned accounts by users in the French Dataset



Note: Each bar corresponds to an account: colour indicates provenance (black for the French Dataset, dark grey for the Global Dataset, and light grey for neither), height is proportional to the number of distinct mentions of an account in a given AY. In each graph, yearly distributions are ordered from left to right according to, on the left-hand column of graphs, the number of mentions (pure ranking) and, on the right-hand column, first provenance then number of mentions, to illustrate the relative importance of each dataset.

studying. At the end of the period studied, a whole range of people and organizations located in France mention each other while discussing II. As such, they constitute a relatively autonomous French II social world. We now turn to the composition of this world.

3.2. Composition of the French impact investing world

Stolz and Lai (2020) identify five types of organizations involved in the development of II: social enterprises, business advisories, impact funds, impact investors and network organizations. We started with this taxonomy in order to code each of the 366 accounts. It became clear, however, that the II social world is composed of many more types of actors than anticipated by our original theoretical framework. Therefore, we developed a more comprehensive taxonomy. Each account has been coded with a category reflecting the professional activities of the organization or individual holding the account (Table 3.2) using the account's self-description, including links to personal pages or websites. In some cases, additional research was carried

Table 3.2: Categories of actors (*n* corresponds to the number of accounts in the French Dataset)

Group A		
Actors participating directly in the social investment chain, <i>n</i>=84 (23%)		
<i>Impact/social consulting</i>	<i>n</i> =23	Paid intermediaries dedicated to impact and social enterprises (auditors, consultants), incubators (of social enterprises), coaches, and so on.
<i>Impact/social network</i>	<i>n</i> =23	Associations and lobby groups promoting II, forums, media, standard-setting initiatives dedicated to II, social entrepreneurship, SSE
<i>Social/impact finance</i>	<i>n</i> =20	Solidarity finance institutions and II funds
<i>SSE organizations/NGOs</i>	<i>n</i> =18	Investees
Group B		
Classical economy, <i>n</i>=128 (35%)		
<i>Classical finance</i>	<i>n</i> =48	Banks, insurance and asset management companies, including SRI fund managers, and financial actors networks
<i>Classical consulting</i>	<i>n</i> =38	Including on CSR or SD
<i>Entrepreneurship ecosystem</i>	<i>n</i> =42	Excluding social entrepreneurship: start-ups, tech companies, venture capital, incubators, specialized media
Group C		
Frame producers, <i>n</i>=81 (22%)		
<i>Public actors</i>	<i>n</i> =41	Government bodies or representatives, public agencies, UN organizations, public (development) banks
<i>Knowledge brokers</i>	<i>n</i> =27	Universities, business schools, think tanks, book authors
<i>Philanthropy</i>	<i>n</i> =13	Individual foundations, foundations networks and dedicated events or media
Group D		
Generalist actors, <i>n</i>=73 (20%)		
<i>Other media/journalists</i>	<i>n</i> =21	Excluding specialized media on entrepreneurship, social investment, philanthropy specialized media
<i>Miscellaneous</i>	<i>n</i> =52	Individuals for whom a profession or an employer could not be ascribed (even if some mention a political party affiliation), traditional business companies, business sector organizations

out to confirm the appropriate category (for example, on LinkedIn). Assigned categories represent the last known situation for the account at the date of coding (June 2022), and do not reflect professional trajectories of the persons or individual accounts.

We identified 11 categories divided into four groups; the first three having an active role in the making of the II world. The fourth group (D: generalist actors) concerns 20 per cent of the accounts and includes either general media (*other media/journalists*)⁶ or residual accounts (*miscellaneous*).⁷

Group A identifies actors directly involved in the II process. The sub-categories are based on the taxonomy from [Stolz and Lai \(2020\)](#). We could not distinguish impact funds from impact investors and merged them into a *social/impact finance* category that also covers organizations that claimed to be part of ‘solidarity finance’, which existed before the invention of II. As analysed by [Chiapello and Godefroy \(2017\)](#), despite very different investment logics, these organizations were considered to belong to the II world since the [Sibille et al \(2014\)](#) report, and have been associated with most of its development since then. Nonetheless, in the French Dataset, impact funds ($n=13$) and crowdfunding platforms ($n=3$) constitute the main share of the *social/impact finance* category ($n=20$). While group A constitutes the core actors of the II world, it only represents less than a quarter of the active accounts (84 out of 366), further emphasizing the essential role of many other actors in giving this world consistency and visibility. Group B is to classical economy what group A is to social and solidarity economy.⁸ It includes all the financial players (*classical finance*), including those interested in socially responsible investment (SRI), consulting players (*classical consulting*), including those who position themselves to help companies develop Sustainable Development strategies, and finally the various components of the start-up ecosystem (that is, start-ups themselves, incubators, venture capital) when they are not specialized in social entrepreneurship. At the time of the invention of II, SRI was excluded from II, thus it seemed necessary to put SRI in the *classical finance* category. [O’Donohoe et al \(2010: 10\)](#), for example, define SRI as financing for-profit companies, mainly listed ones, that are selected according to different strategies along the Environmental, Social and Governance (ESG) criteria. Whereas II is a type of financing for ‘social businesses’ or organizations ‘designed with intent to make a positive impact’ (for example, ‘helping’ unemployed people back to work, preventing

⁶ General media widely disseminate information, have a large number of followers, and contribute to the awareness and institutionalization of II without being instrumental in the constitution of this specific social world.

⁷ The miscellaneous category covers 52 accounts out of 366 (14 per cent) with no apparent professional connection with II (except for one). Fifteen of these accounts belong to political activists mainly affiliated with President E. Macron’s political party.

⁸ However, group B includes three categories, not four as in group A. We did not distinguish the investees, as we did in group A, since we found very few large non-financial companies ($n=4$) or employers’ unions ($n=6$), which we grouped into group D (*miscellaneous*), while start-ups ($n=7$) are in the *entrepreneurship ecosystem* category.

convicts from reoffending, providing micro-credit; O'Donohoe et al, 2010). The organizations financed by II are usually small and unlisted, and some have adopted a legal form of entity that prevents them from distributing profit. Our coding shows the importance of classical economy actors in the making of the French II world. Indeed, group B is the biggest of the French Dataset (35 per cent of the accounts). Moreover, as we show below, part of the French story is due to the active involvement of these actors. For the most recent period, we even identified a form of progressive appropriation of the notion of impact by SRI, to the point of making the initial specificity of II disappear (Chiapello, 2023). ESG criteria applied to conventional companies are now even considered as impact indicators.⁹

Finally, group C brings together actors who produce standards and legal frameworks to disseminate them; their ideological and practical role as frame-builders is considerable in the making of the II world. This first covers *public actors* who implement public policies aimed at developing II, including government actors ($n=12$) who have commissioned public reports or launched calls for SIBs, and public banks involved in providing money to the first impact funds¹⁰ (12 accounts for three banks¹¹). Public banks, particularly development banks, and their private sector-oriented subsidiaries (the so-called Development Finance Institution) have indeed found a new way of justifying their intervention with the notion of II (Ducastel and Anseeuw, 2020). This is in line with what we know about the construction of new markets. Governments are not passive observers, but active participants. Public actors also include the 11 OECD accounts (out of a total of 41 accounts for public actors).¹² The category of *knowledge brokers* includes organizations that seek to influence the debate on ideas, such as think tanks or research centres. At the forefront are business schools (17 out of 27) that actively promote social entrepreneurship, impact measurement or impact investing. These schools are important because they contribute

⁹ For example, the governmental website www.impact.gouv.fr curated by the directorate for business companies of the Ministry of Economy and Finance, or the latest report by Europlace, the French financial market place association on impact finance (Finance for Tomorrow, 2021), which link sustainability to ESG criteria and to the sustainable development goals, respectively. This has become the classic framework for the presentation of companies' corporate social responsibility (CSR) reports, since their adoption in 2015 by the UN assembly.

¹⁰ This is a common feature. See, for example, Huckfield (2020) for the role of public finance in the development of SIBs in the UK.

¹¹ Agence Française de Développement, Caisse des Dépôts et des Consignation, Banque Publique d'Investissement.

¹² The case of the OECD is somewhat special because it is an inter-governmental organization based in Paris. Its role in disseminating 'good practices' for public policy is essential (Gayon, 2019).

to the creation of good practices, participate in their legitimacy and disseminate the concepts. They produce reports, organize conferences and teach new methods of managing or measuring impact. Finally, we grouped all foundations and their networks into one category (*philanthropy*). Their importance is crucial at the level of the Global Dataset, particularly in the US. In France, they form the smallest category. Foundations have a wide variety of roles: they may be investors who fund social project incubators or reports, or they may act as outcome funders in SIBs. It is very difficult to associate them with a specific role in the II world. However, the development of II relies heavily on those that have capital to invest, and that are particularly interested in finding ethical investments that align with their philanthropic actions, rather than depending on stock market investments.

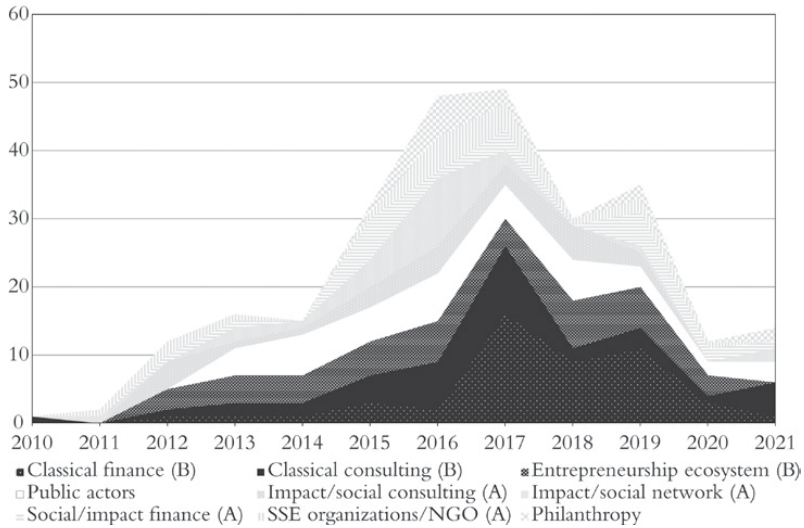
If we omit the *miscellaneous* category, three of the four most numerous types of actors belong to group B: (*classical finance* (48), *entrepreneurship ecosystem* (42), *classical consulting* (38)). The fourth is made up of *public actors* (41). The French social world of II, as it appears on Twitter, is therefore largely supported from the outside, by public policies and public organizations on the one hand, and by conventional forms of finance or business on the other. This seems to be a manifestation of the characteristics of the political economy of France, marked by the important role of the state and the strength of the financial sector, made up of a small number of systemic banks very close to the state (Massoc, 2021). However, this contrasts with our earlier work (Chiapello and Godefroy, 2017), which showed the strong initial involvement of actors belonging to the social and solidarity economy (SSE) as active importers of II into France in 2014. Seven years later, a French social world more autonomous from international discussion has formed, and its composition has evolved. The gradual constitution of the French social world has therefore been achieved at the cost of a displacement that we document in the following section.

4. Transformation of the French impact investing world

4.1. History of the involvement of different types of actors

First, we examined the arrival dates in our dataset (date of the first relevant tweet) for each type of actor, over time (Figure 3.3). The activity of the group A accounts (in grey) is closely linked to II, and their arrival on Twitter follows three waves: (1) in 2012, even before the concept was imported; (2) from 2015 to 2016, just after the G8 report (Sibille et al, 2014), mainly driven by the birth of associations, initiatives and promotional networks; and (3) in 2019 (possibly linked with the publication of the Lavenir report preparing the launch of the second wave of SIBs). Most striking, however, is the dynamics of group B (in black) and, in particular, for *classical finance*

Figure 3.3: Number of accounts, by AY, of the first tweet on impact investing. In black, group B actors. In light grey, group A and philanthropy actors. In white, public actors. For readability, neither group D nor knowledge brokers have been plotted.



which had numerous arrivals in 2017, 2018 and 2019. The largest French bank, BNP, has 12 accounts, while the largest French asset manager, Amundi, has six. These 18 accounts all arrived between 2017 and 2019. It seems that while the growth of interest in II was initially driven by the specialized actors in group A, non-specialized actors from group B took over as of 2017. In the same year, a new French president was elected. While the beginnings of II were started under the presidency of the socialist François Hollande (May 2012 to May 2017), whose government commissioned the G8 report (Sibille et al, 2014) and launched the first SIBs (2016), the theme developed especially under the presidency of Emmanuel Macron. President Macron's first term in office was from May 2017 to May 2022, and he presented himself as a pro-business president close to the world of finance. He was previously the Minister for Economy from 2014 to 2016. With this landscape in place, we then sought to understand the interactions between these actors.

4.2. Interactions between actors

One way of approaching this question with a dataset of tweets is to look at retweets (RTs). Unlike the previously described 'mentions', which can only be interpreted by studying their context, RTs mainly signal support (that is, one person retweets to spread another person's tweet and give it greater

visibility). The RT networks we constructed are made of directed links, that is, edges, whereby an edge from A to B means that A retweeted B, and are weighted by the number of retweets. Before 2017, the RT network is essentially shallow and disconnected due to the weak activity of the French II world, especially internally. We focused on the period from 2017 to 2021 and plotted yearly networks (Figure 3.4).

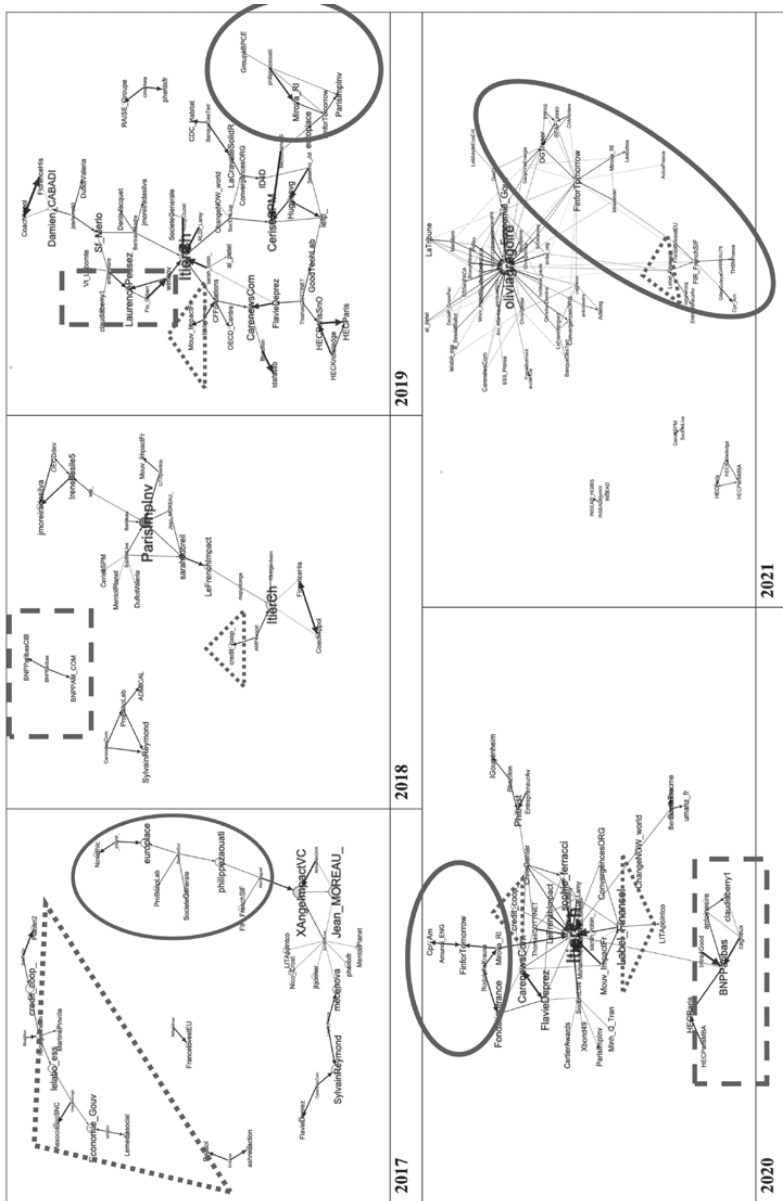
Overall, we observe a progressive densification of the network. While the growth of the active French II population (Figure 3.1) is a necessary condition of this phenomenon, it is of course not a sufficient one. As noted earlier, many users are active on Twitter before being active in II. This densification is the signature of an online social world, whereby actors increasingly demonstrate their awareness of II tweets of other French Dataset users.¹³ Furthermore, this densification is centred around a small number of poles.

First and foremost, governmental actors become central in the network (in contrast to what may be observed in the Global Dataset, whose detailed analysis is beyond the scope of this chapter). In 2019, 2020 and 2021, the core of the network is made up of government representatives who are leading II initiatives, especially through the two waves of SIBs. From 2018 to 2020, it is the account of Christophe Itier, the then High Commissioner for the Social and Solidarity Economy and Social Innovation within the French government, that is at the heart of the RT network. In 2021, Olivia Grégoire's account becomes the core RT account, after she replaces Itier. The graph shows a court society (in the sense of Elias, 2005) where most actors retweet government tweets. It also shows the extent to which communication on II in France is driven by government initiatives.

Second, the relative evolution of actors belonging to *classical finance* (within the circle in Figure 3.4) and to SSE (enclosed by the dotted triangles) is also significant. The *classical finance* pole notably includes Mirova (a French SRI asset manager) and the accounts of the Paris financial marketplace association (Paris Europlace and its subsidiary, Finance for Tomorrow, created by the head of Mirova). The pole linked to SSE exhibited some presence and some structure in 2017 (Figure 3.4). In that year it is clearly separated from the *classical finance* pole and was associated with the government (for example, Martine Pinville's account, who launched the first SIBs in 2016, and the account of the Ministry of Economy – Economy_Gouv). From 2019 onwards, the two networks come together, but while the *classical finance* pole becomes denser and retains a form of autonomy, the actors of SSE seem to disappear little by little from the network. Classical finance is also represented by the accounts linked to BNP (encompassed by a dashed

¹³ However, whether these users were already retweeting each other on topics other than II may not be determined with the data collected for this study.

Figure 3.4: Evolution of the retweet network within the French Dataset between 2017 and 2021



rectangle in Figure 3.4), however we observe some retweet interactions with the asset management pole (circled). This illustrates another way for classical finance to participate in the construction of the French II world. Even if BNP is bigger than Mirova, in terms of asset management, not all their funds are SRI managed. Thus, in the case of BNP, the biggest French bank, it is a department other than asset management that is communicating on II: namely, its CSR department, that is actively involved in the construction and funding of French SIBs.

These evolutions of RT networks show that the circulation pattern of the II concept changed over time; a shift that may accompany a different understanding of II. This result is congruent with what we know about the actors. Upon its importation, the II concept was mainly supported by SSE actors (for example, H. Sibille who presided over the *Comité Français* in 2014). At the beginning of Macron's presidency, Christophe Itier, the High Commissioner for SSE, was also a former director of an association devoted to child welfare (*La sauvegarde du Nord*). Even if Itier favoured an entrepreneurial model of SSE (Riot, 2020), which earned him some hostility, he comes from the SSE world. A whole new dynamic emerges when he is succeeded by Olivia Grégoire, who comes from the communication and economic intelligence worlds and is not very familiar with SSE (she previously worked at Etalab, which aims to develop access to public data for web entrepreneurs). The political approach of II is then more geared towards start-ups (echoing the so-called 'Start-Up Nation' motto initiated by President Macron) and the SSE pole appears to be decaying. Two important actors of SSE (that is, Finansol and Crédit coopératif) stayed in the network but are embedded in distinct parts. Finansol is an association initially aimed at promoting solidarity finance (which existed way before II). It merged in 2021 with iiLab, an association founded in 2016 for the promotion of II, and is now part of the *classical finance* pole. Crédit coopératif is the historical bank of the social sector. It disappears from the RT network in 2021, at the same time as Itier.

The study of RT networks therefore supports the thesis of a gradual transformation of the French II world under the dual effect of the government's policy (they launch SIBs and communicate strongly about them), and the growing interest of powerful players in finance. SSE organizations that were involved at the beginning of the study period (2017) do not seem to participate in the public discussion towards the end (2021). RT networks make visible, in this essentially professional space, the cooperation around the publicization of certain initiatives, and the communication work done to push or celebrate certain conceptions. Communication is organized around the launch of calls for projects or the projects themselves, the publication of reports and the organization of events, with RTs being carried out by actors linked to these same initiatives. RT networks therefore indicate which actors

dominate communication on the subject at a given time. The evolution of their form and composition points to a gradual dilution in France of II into SRI. This is what we want to show in the next section.

4.3. Shift in the understanding of impact investing

In order to identify the evolution of the themes addressed by the 31,331 tweets in the French Dataset, we collected the 8,102 hashtags used and their frequency by AY in the corpus. Of course, by construction, the hashtags used to build the dataset are dominant (Section 2.2). For example, #impinv is used 658 times and #impactinvesting is used 649 times. The third most common hashtag is #impact ($n=409$). Most hashtags are very rarely used: only 1,582, on which we now focus, are used more than three times over the whole period. Together they represent 67 per cent of all instances where a hashtag is used. To reduce the amount of information, we manually grouped the data into 74 semantic boxes, indicating the theme of the hashtags.

The top ten semantic boxes used were ranked, every year since 2016 (Table 3.3). We start the comparison in 2016, just before the arrival of the classical finance actors. In 2016, the government launched the first wave of SIBs and the ‘Social Impact Bonds’ category is one of the ten most frequently used; a situation that does not repeat in later years, although this category is still well placed (11th) in following years that are marked by government events (that is, the release of the Lavenir report in 2019 and the launch of a new wave in 2020). The ‘Philanthropy’ category is also present in 2016 but then falls further down the ranking (23rd in 2019; 27th in 2021).

We highlight the most striking changes in the rankings since 2016. First, the rank of the ‘Social enterprise’ category (in which we have grouped all the hashtags designating social entrepreneurship, SSE and social innovation) is declining continuously. Second, the ‘Socially Responsible Investment’ category (in which we have grouped all the hashtags designating responsible, ethical or sustainable finance) was not present in the top ten in 2016 (ranked 19th). Despite this investment practice being decades old, it grows in importance to reach third position in 2021. We also note that the ‘Climate’ category (to which we have added decarbonization and zero emissions initiatives) has moved into the top ten since 2019. It was 13th in 2016, just after COP21 in Paris, when financial players were strongly mobilized, but only 15th in 2017 and 17th in 2018. Indeed, the very strong interest of financial investors for start-ups and so-called green innovations (for example, in the energy sector) is nowadays presented as ‘impact investing’ (and not just as innovation financing), constituting another form of broadening the II notion.

Table 3.3: Top ten semantic boxes of hashtags, from 2016 to 2021. There was a sharp rise in the number of hashtags in 2016 (413 in 2013, 436 in 2014, and 579 in 2015, but 1,196 in 2016).

No. of #quotes	1,198	1,996	2,867	3,244	2,465
Rank/Year	2016	2017	2018	2019	2020
1	Impact Investing	Impact Investing	Impact Investing	Impact Investing	Impact Investing
2	Social Enterprise	Social Enterprise	Finance	Finance	Finance
3	Impact	Finance	Social Enterprise	Impact	Impact
4	Finance	Impact	Impact	Social Enterprise	Social Enterprise
5	Start-up	Start-up	Tech	Tech	Management
6	Tech	Tech	Management	SRI	SRI
7	Management	Management	Start-up	SDG	Tech
8	Social Impact Bonds	SRI	SRI	Management	Climate
9	Energy	CSR	SDG	Climate	SDG
10	Philanthropy	SDG	CSR	CSR	CSR

The study of the most widely used hashtags supports our analysis that the concept of II has evolved over time in a trend correlated with the significant growth of the group B actors. The meaning given to II has become diluted within the whole range of responsible investment practices, while investment targets have broadened (see also [Chiapello \(2023\)](#) for the broadening of the scope of II).

5. Conclusion

In this chapter we have shown that it is possible to use data from Twitter to describe the progressive constitution of a social world organized around new practices, here of impact investment. This chapter contributes to the literature on the construction of markets, since we follow the construction of an economic space where lucrative activities and exchanges are set up, where cooperation is established between professional actors to ensure the production of a new type of product. In particular, we highlight the great diversity of the actors involved, not only those who are directly concerned by the activities (group A).

Impact investing is an imported practice that has been acculturated and taken up by French actors. We propose indicators to measure the French acculturation of II. They show a progressive autonomization of the French II world from its Anglo-American origins; even though this social world also remains very internationally connected.

This chapter thus contributes to the analysis of the transnational diffusion of ideas and practices. [Chiapello and Godefroy \(2017\)](#) studied the first moments and showed how the 2013 import had to make room for the older, French, solidarity finance, which was reclassified as impact finance. We show how this initial structure (associating solidarity finance with the new impact funds) has since been transformed by the arrival of a growing number of actors. A form of recuperation of the notion of impact by mainstream finance is also taking place. [Barman \(2020\)](#) has shown how the process for creating the Global Impact Investing Rating System has led to the notion of impact being stripped of its specificity by making it a declination of a judgement, based on ESG criteria. The same process takes place in our case study due to the strong involvement of mainstream finance on the one hand, and a pro-finance and pro-business government policy on the other. Further research is needed to assess the extent to which this configuration is specific to France, whose political economy is marked by both a strong central state and a powerful, concentrated financial sector. France may be one of the countries that have most acculturated the II concept ([Table 3.1](#)), but the concept has also drifted and lost its strength in the process.

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Capitalizing on Capitalism: How Impact Investing in Geneva Emerged among the Traditional Financial Field

Noé Kabouche

1. Introduction

Sir Ronald Cohen, one of the pivotal actors in the worldwide development of impact investing and head of the Global Social Impact Investment Steering Group (GSG), titled his main book on impact finance *Impact: Reshaping Capitalism to Drive Real Change* (Cohen, 2020). Alongside other promoters of this relatively new form of sustainable finance (see for instance, Bugg-Levine and Emerson, 2011; Emerson, 2018), he suggests that impact investing can solve capitalism's shortcomings regarding today's social and environmental challenges. Likewise, the Global Impact Investing Network (GIIN), the main organization promoting and supporting impact investing around the world, states that this practice is 'unashamedly ambitious', and aims at becoming the 'normal way of doing things' (GIIN, 2018). These phrases picture impact investing as a disruptive practice, whose role is to revolutionize the way financial activities are being carried out, while replacing the old ways of capitalism. But how does such a promise materialize when it comes to impact investing's implementation and translation in specific places?

Part of the broader category of 'sustainable finance', which refers to investment taking into account social and environmental issues (including socially responsible investments (SRI) (Arjaliès, 2010), environmental, social and governance (ESG) criteria guiding investing (Leins, 2020), and shareholder activism (Soule, 2009; Waeger and Mena, 2019)), the term 'impact investing' was coined at an event organized by the Rockefeller

Foundation in 2007. Its goal was to define an investment strategy that would reportedly stand out from the other sustainable finance approaches by putting the emphasis on an active investing endeavour that aims to generate a measurable social and environmental impact alongside a financial return. To develop and promote impact investing, the foundation created the aforementioned GIIN, a network bringing together banks, investment funds, individual investors and foundations.

Several studies have explored how impact investment initiatives were developed in various countries. Some of them show that the ‘impact investing’ label is the result of the joint effort of market players, public institutions and political actors. In the United Kingdom, social impact investing was meant as a welfare policy relying on unclaimed assets used for the creation of a ‘social investment bank’ (Golka, 2019, 2023). In France, it was an asset class label controlled by the state and linked to the ‘*Économie sociale et solidaire*’, which refers to economic activities which follow specific criteria, such as being useful to society as a whole, and not focused only on profit-making (Chiapello and Godefroy, 2017). But impact investing is not always the consequence of the cooperation of various fields that would result in a state-guaranteed label tied to a specific political or social vision. In this chapter, we examine the development of impact investing in Geneva, Switzerland, and question its relationship to financial and non-financial actors.¹ Through this case, we show that impact investing’s strong ambitions towards existing financial markets that must reportedly be ‘reshaped’, are not pivotal in its emergence. On the contrary, we argue that impact investing mostly acts as a label used by existing financial actors to categorize their initiatives when other labels have been jeopardized by global events or when worldwide financial evolutions offer new ways of conducting financial activities prone to grant strategic advantages on existing markets. Doing so, we show that the fuzziness of the label provides its users with an exploitative and instrumental usage, fit to legitimize the evolutions of the practices and activities contextual to a specific social space – here, the financial ecosystem of Geneva.

To this end, we consider impact investing in Geneva as an emerging field (Fligstein and McAdam, 2012) and demonstrate that skilled social incumbent actors from traditional finance of the city fashioned its settlement through strategic actions and resource deployment. Hence, we show that the local rise of impact investing was largely due to an extension of the previous field of commercial microfinance in which powerful financial actors of the city played a key role. This filiation between impact finance and microfinance appears

¹ This chapter is based on data and results produced in my PhD dissertation (see Kabouche, 2024).

as a core characteristic of the Geneva case: having showcased microfinance as an innovative and virtuous form of investment, Geneva's asset managers relabelled such activities as 'impact investing', as the new concept offered more flexibility and dismissed reputational risks tied to microfinance crises. These incumbent actors from traditional finance hence managed to build a specialized subfield of finance and occupy dominant positions in it, by drawing on transnational symbolic resources and local alliances with the field of international development. However, they manage to define themselves the structuring conditions of this field, which is not controlled by external actors, such as the state, NGOs, or other organizations.

This chapter offers two main contributions. First, it builds on existing works addressing the conditions of emergence of impact investing in various places, showing that the case of Geneva features a financial incumbent-driven development, where structuration processes mainly rely on relabelling of and capitalizing on existing activities, here, microfinance. Through the field perspective, our study highlights the interconnectedness of different social spaces, while emphasizing the crucial role of existing dominant financial actors and structures in impact investing's settlement. It unpacks the way in which this assemblage of actors utilize the vagueness of the 'impact investing' label to improve their position and (re)legitimize old and new practices. Second, this analysis fosters questioning about the consequences of such a finance-led development. Whereas impact investing is often described as a disruptive way of conducting financial activities, observing this phenomenon as a commercial relabelling taking place within traditional financial fields begs the question of the movement's objective and positioning, and the conditions under which public issues are being addressed by private financial actors.

This chapter is structured as follows. In [Section 2](#) we expose our data and methods. Then, in [Section 3](#), we present our empirical findings. Finally, in [Section 4](#), we discuss them and conclude on the conditions under which financial incumbent-led emergence of impact investing can take place, while questioning the possible consequences of such developments.

2. Data and methods

Like other transnational phenomena, impact investing is also locally anchored, and studying this local anchoring – here, through the case of Geneva – is crucial to understand its concrete implementation mechanisms ([Attencourt and Siméant, 2015](#)). Geneva has a long financial and banking history and a highly integrated financial field ([Mazbouri and Guex, 2010](#); [Araujo, 2020](#)) dominated by ancient families and private banks active in wealth management. Geneva is also known for its philanthropic initiatives, led by foundations and banks ([David et al, 2016](#); [David and Heiniger, 2019](#)). The case of Geneva, finally, also has the perk of being quite suitable to a

thorough emergence analysis. The main reason for it is the small size of its financial ecosystem, due to the hegemony of a few historic families, and a limited number of influential companies. This specific local situation enables us to follow the main individuals who designed the field and, hence, to offer a detailed analysis of the phenomenon.

To this end, our fieldwork consists of direct and participant observations at events related to sustainable finance, where we first identified and mapped the main actors of the field. We focused on asset management firms specialized in impact investing ($n=8$). Moreover, we looked at other actors in the field: individuals who played a structuring role in the configuration of the impact investing field; banks that offer impact investment products, but are not specialized in it; and other surrounding actors, such as associations supporting these initiatives and actors from international organizations and NGOs. Our main data sources are semi-structured interviews ($n=46$), conducted online and in person, in French or English. Interviews lasted between 40 minutes and two hours. We interviewed at least one executive for each of the specialized impact companies, but often also did a second interview with a more operative manager.² We aimed at covering the field exhaustively, to understand both its structure and its origin. As a consequence, interviewees were added along the way, as we learned more about the process of the field emergence and contacted people who had a role in it. We also analysed the annual reports of the specialized impact investing asset managers, and gathered other marketing documents. All interviews were transcribed, and qualitatively analysed through the software Atlas.Ti. For the purpose of this chapter, we mostly relied on an analysis that focused on the processes of field creation and consolidation. This led us to pursue a genealogical approach (Agrikoliansky et al, 2005; Balsiger, 2016) to the field emergence: we went back from the actors present in the field today, to find out how the field was created. In the empirical analysis, names of organizations have been modified, and interviewees are only mentioned by their institutional affiliation. Only four major individuals are being referred to by the same letter (*A*, *B*, *C*, *D*) throughout the analysis.

3. Empirical analysis

Today's field of impact investment in Geneva is populated by firms that were created at different times. Just focusing on the specialized asset managers (and thus disregarding the traditional private and commercial banks that

² The research project, which is financed by the Swiss National Science foundation, is interested also in other aspects of the impact investment market, which are not part of the study presented here.

offer impact investing products), it can be seen that some companies were funded a couple years prior or after 2010, a few more were created later, and two more, which are firms active in microfinance, already existed in the early 2000s. This is a particularly salient observation for the analysis of the emergence of the field: some of the companies actually pre-exist the coinage of the very term ‘impact investment’, in 2007. At the same time, it also shows that many of the firms that constitute the field were created after the term was defined. From afar, and just judging from the age of organizations, it thus looks like this field was created partly by incumbents, and partly by new actors. But of course, this is a very crude indicator. Through the interviews we conducted, we identified much more precisely the process of emergence of the field of impact investing and of the role of incumbent actors therein. Thus, we show how impact investing in Geneva settled as a label capitalizing on existing forms of financial activities secured by incumbent actors from the traditional financial field of the city.

In the first empirical section, we will examine the emergence of microfinance in Geneva in the late 20th century, a type of investments made in developing countries. We will show that this practice was structured as a subfield within the existing financial field and by several of its powerful actors. The second section will focus on the period running from 2008 to 2014, when the term ‘impact investing’ was coined by the Rockefeller Foundation. We will study the processes through which the Geneva impact investment field emerged from the microfinance one, using relabelling and diversification strategies relying on both microfinance practices and the new ‘impact investing’ concept.

3.1 Before impact: the emergence of a microfinance field among Geneva traditional finance

Impact investing in Geneva was not generated in a void: it emerged within an existing field, microfinance. To comprehend the emergence of impact investing, it is necessary to understand the processes that supported the development of microfinance in Geneva. Microfinance practices settled within the financial field of Geneva, thanks to the essential support of central incumbent actors of the local financial centre: the private banks.

Although the financial centre of Geneva includes several types of institutions (Mazbouri and Guex, 2010; Araujo, 2020), namely cantonal and major commercial banking firms, its most characteristic and arguably historically most important feature is private banking. Private banks largely dominated the Swiss financial ecosystem of the 19th century (Mazbouri and Guex, 2010), especially in Geneva. Private banks are financial organizations which offer personalized support to rich clients, traditionally rich families, in asset and wealth management. Unlike other banks, only wealthy people

can become clients of a private bank. These dominant private banks were characterized by a strong control exerted by what has been called an ‘aristocratic bourgeoisie’, referring to rich families benefitting from an ancient reputation, an important involvement in the financial affairs of the city, and an aristocratic way of life (Cassis, 1991). As shown by Mach and Araujo (2018), these families secured their institutional control throughout the decades – and centuries – contributing to an exceptional stability of their firms’ associates (Fernandez Perez and Colli, 2013). Indeed, in some of these banks, people with the same family name have been in charge for more than 200 years, showing that the firms were transferred within the same family, and often to direct descendants. In short, the financial centre of Geneva is profoundly marked by a set of strongly anchored incumbent actors, historically rooted in the banking landscape, and still active today.

Among these incumbents, two institutions specifically played an active role in the development of sustainable finance and, indirectly, impact investing: Perrault and FAC (Flury–D’Alverny–Campoli), a financial firm founded by people linked to both Perrault and Flury the other major private bank in Geneva. These organizations possess all the aforementioned features regarding familial longevity, provide wealth and asset management services and became major worldwide actors. According to the British Scorpio institute, they have been ranked in the top 25 private banks worldwide by asset under management.³ And one of these two banks, Perrault, is the most ancient private bank in Geneva (established at the end of the 18th century) and has more than 2,500 employees worldwide.⁴ These famous and well-established groups played a major role in the framing of the sustainable financial practices in Geneva, by participating in the introduction of a new financial practice: microfinance. This term refers to investments made in financial institutions whose role is to fund underprivileged individuals or micro and small enterprises from the real economy in developing countries. This approach targets non-Western institutions and aims at providing ‘financial inclusion’ to ‘frontier’ or ‘emerging’ markets, while monitoring these investments and measuring their social impacts on the populations through mixed methods and customized indicators that depend on the situation of the investees (Servet, 2006). The creation of the first commercial microfinance company in Geneva – Solace, founded in 2001 – was the result of the encounter between the United Nations (UN) and the world of private banking, represented by Perrault and FAC. At that time, the contribution of private finance to the development field started to be discussed among UN institutions but was still a very marginal phenomenon. While the

³ *Le Temps*, 2016 (the link to the article cannot be disclosed for anonymity purposes).

⁴ Perrault’s website.

official narrative of the creation of commercial microfinance emphasizes the collaboration between UN institutions and banks, the accounts we received from interviewees from both sides indicate that while a UN coordinator (from UNCTAD⁵), called *A*, played an important role, this person did not have much institutional backing. Yet this UN official ‘toured all the banks’ in Geneva but also in other countries such as Luxembourg, to find allies to start a commercial microfinance fund, and developed a tool destined to match investors with projects in need of funding. According to one of the founders of Solace, who then worked at Perrault, the UN official proposed the project to the bank, which refused because it was already involved in some complicated matters with a foundation promoting SRI since 1997, as stated by *B*, who worked for both FAC and previously Perrault:

Solace, in its communication, always says: ‘Solace was founded by the United Nations’. It’s not quite true, but it’s because I met *A*, that we put together this thing. ... He is the one who started it. Because then, I did a project for Perrault, and then they didn’t want to do it, because I was in charge of [X] at the time and it was a complicated project because there was a lot of shareholder activism and pension funds. And Perrault was a bit scared and then they said: ‘No, this is not for us’. (Interviewee *B*, FAC)

After the fund was launched in Luxembourg, a Belgian banker (*C*), a family member from Perrault (*D*), and *B* (who worked at that time for Perrault) funded Solace, with the goal of providing management consulting on this fund – it was the beginning of the first asset management firm oriented towards commercial microfinance in Geneva:

[In 2001], after I got the idea from *A* to create a non-profit company but one that would manage impact funds, I came up with this idea again and I thought: ‘I’m tired of banking’. The banking world, at least at that time, was not at all conducive to the development of something like I was trying to do. So, I left the bank and with the blessing of my CEO at the time, I created Solace with *D* [who is from the Perrault family]. And we embarked on the adventure. And from the start of the creation of the startup, we received a management consulting contract [the microfinance fund]. And that’s how Solace started. So, in March 2001, here we are, the two of us. ... I provide the fund management advice and *D* knew – linked to his father, obviously – people who could support us. His father was the founder of [an association supporting

⁵ UNCTAD stands for United Nation Conference on Trade and Development.

firm creations], as you know. And he gave us a lot of support. He really got us started, if you will. (Interviewee C, at that time, a Belgian banker)

Thus, two of the partners who launched the first commercial microfinance fund in Geneva came from the world of Geneva private banks, and were linked to the private banks through family, business ties and financial resources. To understand the success of this project, it is also worth noticing that the private banks – whose actions were crucial in the emergence of Solace – took on an apparently natural role in this process, since their tradition of personalized financial support and long-term strategies easily matched the expectations of sustainable finance. This may be part of the explanation of why they (instead of other kinds of financial actors) bet on microfinance (Araujo, 2020):

[We've been interested in impact] since ... well, for some time, since ... we have a philanthropic foundation that is really very important, so that's something we've always been invested in, and then, throughout our history, we've had impact initiatives. We introduced the ESG in 1997, we participated in the creation of Solace in 2001, so there has always been a part of the company that has been invested in ... the idea that finance should also be at the service of society. (Manager for sustainability integration, Perrault)

In 2005, a second microfinance company, called Rebirth, was also launched in Geneva. Similar to Solace, the case of Rebirth involved incumbent actors, as one of its co-founders is D, related to one of Perrault historical families which run this private bank. And yet another microfinance company, AccountFin, was created in Zurich in 2003, with an office in Geneva too. Although this company is not technically part of the Geneva field of microfinance, the story of its founding is interesting to consider. According to one of our interviewees, this third organization was created by a big commercial bank, Credit Suisse, in reaction to the funding of Solace:

And when they [a wealthy family] heard that Solace was coming they said to Credit Suisse: 'You have to do something or we'll leave you and go to Solace'. And they created AccountFin because they didn't dare to go head on. Because it's not easy for a big bank, somewhere, to lend to the poorest people for an interest, if it turns out to be bad, not only do they steal from the rich, but they also steal from the poor. (Interviewee B, FAC)

In all these cases, small companies were created and supported by financial and personal resources from established banks. These banks refrain from

entering this market themselves – probably partly due to the very small size of this new sector. As an interviewee told us, ‘a bank doesn’t want to wipe the slate clean: it wants to see if it works, and if it does, then they’ll get on with it’. But this is not the only reason. The reputation risks associated with it also play a role, as we saw in the previous excerpt.

We then observed a striking continuity between this newly generated subfield of microfinance and the existing ancient financial field. This new subfield was indeed organized by strong incumbent actors, namely the private banks, which defined the structures of the field, and acquired a central position in it.

3.2 From microfinance to impact investing: relabelling and expanding

Now, how did impact investing enter the story told before? The developments after 2008 first must be reconsidered as part of the broader international context. The rise of impact investment as a financial category is, of course, related to the entrepreneurial work of the Rockefeller Foundation and the organizations that were then created to promote such activities, enabling local actors to seize this label and build a local field of impact investment. But another factor is the socio-political context at the time, marked by the financial crisis of 2007–2008, which profoundly affected the sector. It gave legitimacy to endeavours of sustainable finance and forced financial actors and regulators into redesigning rules and goals of the financial markets, while imagining new categories of finance destined to showcase a more responsible, ethical or sustainable approach to finance (Ziolo et al, 2017). Official discourses from sustainable finance organizations in Geneva hence consider the subprime crisis a strong catalyst for the renewal of sustainable finance in the 2010s:

After the major crisis of 2008, a number of reforms were put in place, in order to improve the functioning and integrity of the international financial system. The financial center must therefore face these new challenges, which involve a fundamental change in its business model. However, we must not forget that if our financial center is today considered one of the most competitive in the world, it is because throughout its history it has been able to reinvent itself and make room for innovation. (From a flyer circulated by Sustainable Finance Geneva in 2014, an association made of various financial actors promoting sustainable finance)

Moreover, according to several of our interviewees, this crisis fostered development of sustainable forms of finance, such as impact investing in Geneva. This process was sometimes presented as an epiphany within the

financial sphere, regarding what can be done through finance and what lacks ‘meaning’: ‘The financial crisis of 2008 brought changes, a general awareness, this awareness also, as I said, a political sensitivity was already there for a while’ (Senior Relationship Manager, AccountFin).

Yet, the rise of impact investing is not only a reaction to the financial crisis. If we look closely at the processes underlying the establishment and growth of the field after 2008, we find that the transition from microfinance to impact investing corresponds to a field frame (Lounsbury et al, 2003) expansion; that is, a process in which the new term (impact) comes to embrace both the old frame and its established practices of lending small sums to poor individuals or very small businesses (commercial microfinance) as well as adds new practices to it (investment in equity, in social/green companies in the developed world, in listed companies, and so on).

Three intertwined processes characterize this field frame expansion from microfinance to impact investment. First, following a major crisis of the microfinance sector, microfinance companies started to relabel their activities as ‘impact investing’, but without changing their actual practices. This relabelling mechanism acts as the starting point of the field frame evolutions, sustained by two other logics. The second mechanism refers to individual actors from established microfinance companies who developed new practices that expanded microfinance’s core activity of lending to poor individuals or very small businesses. This eventually led to the creation of new firms specialized in impact finance – in one instance, as a result of a scission of one of the microfinance companies. Third, the newly emerging impact investing field attracted various kinds of newcomers, adopting different practices of impact investing, some coming out of scissions within microfinance companies, while others were newly created. This led to a growth and increasing diversification of the field, while maintaining microfinance as its core and dominant practice.

The relabelling phenomenon: how a field frame gets transformed

The first and most salient process explaining the rise of an impact investment field in Geneva is the relabelling of existing microfinance practices. This process is strongly related to a serious crisis that hit the microfinance sector in the early 2010s. At that time, a number of scandals emerged, involving microfinance, as NGOs and scholars criticized inconsistent lending strategies causing over-indebtedness of poor populations, especially in India, and a series of suicides (Taylor, 2011; Mader, 2013; Hudon and Sandberg, 2013; Breza and Kinnan, 2021). This crisis strongly afflicted the reputation of the microfinance movement around the world, and some microfinance firms in Geneva also suffered from it, as shown by the following report produced by Rebirth in 2018:

Following years of exponential growth, the microfinance industry in India, one of the biggest at that time went crashing in 2010 following reports of waves of suicide from over-indebted microfinance clients in the southern state of Andhra Pradesh, the epicenter of India's microfinance sector. ... This was a turning point in the public perception of microfinance, and threatened the future of the sector in India as well as abroad. Linked to an above average, uncontrolled growth of the sector, the crisis also brought to light coercive collection practices of loan officers and general excessive interest rates the sector was facing. (A white paper published by Rebirth in 2018)

In this context, the perspective of changing the frames of microfinance became particularly appealing to get rid of the bad reputation attached to microfinance. Thus, a relabelling occurred: Solace decided in 2012 to keep its core activities focused on microfinance, but it progressively relabelled them as 'impact investment'. This evolution is visible on their website. Through the 'Way Back Machine' tools,⁶ we notice that the term 'impact investing' was first used in 2010 on Solace's website. In 2021, the term 'impact investing' is even incorporated in the company's logo, while the firm's main activities remain focused on what was initially called 'microfinance'. A similar process can be observed at Rebirth, also specialized in microfinance:

It happened naturally with the demands and then the needs of the market. At the very beginning, since 2005, it was rather micro-credit, so only credit products to small entrepreneurs who need to start their business or working capital. After that, we moved to microfinance, so we're talking more about financial institutions with different products, not only credit but deposits, insurance, all that. After that, the sector, in 2007, 2010, we moved to financial inclusion where ... the goal is to include everyone in the financial system. And from there, in 2007, there was the terminology impact investing for the first time. (Market Research Analyst, Impact Division, Rebirth)

But according to Rebirth's employees, there was no real evolution in the concrete activities of the firm throughout the period. The goal of this was mainly to use the spreading concept of 'impact investing', according to the practitioners:

[The question] is also 'how does a name come about?' But if you want, as the name has changed too, when you look at the research papers

⁶ Internet Archive Wayback Machine, nd.

on impact investing, one of the key themes was microfinance because it is one of the only ones where there is a track record, which shows that we have made an impact. So when you look at these papers ... it's true that we have been doing impact investing for ten years, in the sense that we are now part of a new name. In the sense that we fit into that category. And then, it's also a bit pragmatic: if everyone uses a word and you do it, there's no reason for you to say, 'Well no, I don't do that'. (Head of Portfolio Management, Rebirth)

All in all, we do observe a field frame expansion supported by relabelling strategies. Those make 'impact investing' the new label of old microfinance activities, after they were tarnished by global crises.

Schisms within microfinance firms: beyond microfinance practices

The second mechanism that explains the field frame expansion of the microfinance field in Geneva consists in the emergence of new firms dedicated to practices that supposedly go beyond microfinance. These new firms, which stem from the microfinance subfield, are in fact the result of a schism within Solace.

In 2007, one of Solace's co-founders, C, suggested that the firm extend its range of financial services. Until that date, Solace only offered private debt services. C advocated within the company for the development of private equity solutions, implying the realization of investments made in the investee's equity, in the middle and long run, whereas commercial microfinance only focused on investing in lending institutions in developing countries. This new kind of investment was then implemented, enabling the diversification of the firm's activities as new conceptions of sustainable finance through the self-defined 'impact investing' practices emerged. These evolutions led to the inception of a new company named 'Solace – Investments', whose activities were devoted to private equity, whereas the former Solace remained in charge of private debt and was renamed 'Solace – Finance'. But C wanted to go beyond the sole implementation of private equity investments. Observing the evolutions of sustainable finance and impact investing, he advocated for the development of new financial services, focusing not only on social impact in developing countries, but also on energy, education and health, including environmental impact. His proposal was rejected by his collaborators, who insisted that Solace was a microfinance brand, and that this brand should not be 'dissolved' with practices that were not, strictly speaking, microfinance. As a result, he launched his own company, named Lime – Finance, focusing on non-microfinance sustainable investments. Initially still part of the Solace group, this entity eventually became an independent company.

This sequence shows how a new actor, Lime, contributing to the field frame transition towards the ‘impact investing’ larger label, emerged from the most dominant incumbent entity of microfinance, Solace. However, it is important to note that the expansion of activities through Lime are not contesting microfinance, nor are they attempts to deal with the negative externalities of microfinance. Rather, they offer an addition by using the same base, and slightly broaden the financial tools deployed within microfinance. The solution – a scission – spurs the diversification of the emerging field of impact investment, which as a broader category can accommodate different types of activities.

Diversification through newcomers: dynamics of the impact investment field

However, the field of impact investing is not only constituted of actors with a direct lineage to the earlier microfinance field. Around 2010, a series of newcomers entered the new field of impact finance and contributed to its diversification. We will here discuss three examples, corresponding to different types of impact investing and thus to different positions in the emerging field. As the examples show, all these new companies are strongly connected to incumbent firms from the Geneva financial field, and especially its private banks. These apparently ‘external’ newcomers thus actually support our main argument, stating that the development of impact investing remains deeply integrated to the broader financial field of the city.

The first case is quite close to the previously discussed example of Lime, although here we do not observe a scission, but an entrepreneur very closely linked to the two dominant microfinance companies. Transform was co-founded in 2010 by *D*, who was already one of the co-founders of both Solace and Rebirth. Moreover, some of his associates also belong to wealthy and well-known families of Geneva. One of these associates, *E*, belonging to a major industrial family of the city, played an active role in the elaboration of the unique fund managed by Transform. His action contributed to the firm’s viability at the first stages of its development:

Ha, [my name], it’s clearly an asset. I couldn’t have, without ... When we first started, we started the fund in 2011, I told some family members about it, and then they said at our general meeting, ‘You can come and present your fund’. So I thought that was cool, yeah. And there were several cousins who said, ‘Okay, we’re investing in the fund’. [Later on], we decided on a junior share class, which is like a first class, in fact. And there, I had planned to invest in it; and then there were several investors who told me [that they were interested]; I accepted those who were really very close, my parents. ... And then,

without that, it would have been difficult. (Interviewee *E*, Executive Director, Transform)

In short, far from being an outsider, Transform – even though it does not directly stem from a microfinance asset manager – is the result of the action of a few incumbents, including *D* and *E*. They mobilized social and economic capital in order to launch the project, while already knowing the dynamics of this newly emerging field frame of impact investing – especially since *D* was one of the pioneers of microfinance in Geneva. Overall, this advocates for a very internal and integrated development of impact investing.

The second case we will briefly discuss is the firm Regenae, founded in 2010. This firm is positioned very differently from the previous ones, as it does not invest in developing countries, but finances entrepreneurial activities in Switzerland and other European countries. Thus, it speaks to the diversification that characterizes the rise of the impact investing field, as venture capital endeavours strongly differ from microfinance-related practices, focused mostly on poor countries. In the firm's discourse, one notices a very activist stance and a strong critique of traditional finance – much stronger than in most other cases of impact finance in Geneva. Yet Regenae is also closely related to incumbent actors from the Geneva financial field. It was founded by an actor who was a partner in FAC (which helped launch Solace), a crucial actor in the beginnings of the microfinance field. As the quote below shows, Regenae was initially even envisioned as being part of FAC itself. Yet eventually, it was decided that the partner should launch it as an independent firm, with a more 'activist' profile:

Regenae, you know, [its founder] was my partner here in fact, and then we did this together, they left [FAC], because we were still small, but already too big to be able to integrate this activism. ... He really wanted, after the financial crisis, to do something radical in terms of impact, and we thought: 'It's better to do this separately rather than internally', because not everyone could relate to it. (Interviewee *B*, currently at FAC, co-founder of Solace)

The third example is the case of Hecate, an impact investing firm created in 2019. Hecate stands for another way of doing impact investing: it develops funds that invest in listed companies, coupled with a quantitative way to measure impact developed in collaboration with a leading Swiss university. This case is even more striking regarding the diversification mechanism mentioned earlier, since such listed investment strongly stands out from previously described practices. Indeed, instead of operating directly with the investees, Hecate relies on stock markets and then interacts with much

bigger firms. As in all the other cases, Hecate is related to an incumbent actor – in this case, the Swiss private bank Lamy:

Hecate was created two years ago, ... with the objective ... to create impact investment solutions. ... We have a majority shareholder which is a [private] bank, which is the Lamy Bank ... and in fact, the idea was for them to develop a unit which would not have, all of a sudden, conflicts of interests, or, in any case, a double discourse in relation to a certain number of things that traditional finance would still be financing. ... So, the fact that we are independent, a fully dedicated unit, allows us to be very strict, at least in the way we define impact. (Head of Research, Hecate)

The inception of Hecate could be then analysed as a typical strategy of big firms wishing to innovate and expand their business and imitate other firms, while keeping a certain stability within their main organization (DiMaggio and Powell, 1983), here, in order to avoid any exposure to criticisms. Therefore, Hecate is not a challenger, since it benefits from the resources of a central and senior actor of the field, Lamy. Actors such as Hecate contribute to the expansion of the impact investing field, as they seize it – lately – but they are not pivotal in its emergence.

Having said that, although this diversification of the field plays an important part in the spread of the label, one should keep in mind that microfinance or microfinance-related practices remained dominant. Indeed, listed investment and venture capital have remained far smaller both in terms of organizations and of asset under management. For instance, in a 2019 report, Rebirth mentions that while the microfinance share in the whole Swiss impact finance landscape has shrunk between 2010 and 2018, it was still the first type of impact product in 2018, accounting for almost three quarters of the overall volume of impact investments. Therefore, diversification dynamics must not undermine the clear prevalence of microfinance-related practices in the field development.

4. Conclusion

Impact investing's promoters present it as a new practice that challenges existing forms of investing, and criticize the patterns and practices of dominant finance. As an alternative, they promote a form of investing that seeks to achieve measurable social or environmental impact, offering solutions to the world's most pressing problems, while at the same time not sacrificing the investor's financial interests. However, when looking into the rise of impact investment in Geneva, we see that this field was shaped by actors who have close connections to incumbent firms of the traditional financial field,

in particular private banks. Contrary to several cases studied so far by the literature, the rise of this practice as a local field does not immediately result from the intersection of public and private forces. On the contrary, people creating ventures in this area are almost exclusively part of the financial elite, who leveraged and adapted the vague ‘impact investing’ concept to their practices and objectives. Thus, this chapter highlights two key takeaways.

First, actors at the origin of impact investing in Geneva are not moral entrepreneurs seeking to disrupt traditional finance, but incumbent actors from the financial field who strategically occupy and/or create a tangential field around microfinance, by utilizing a malleable category, that is, ‘impact investing’. Despite some of the rhetoric around impact investing, the goal, at least in Geneva, was not to oppose the financial field’s dominant practices. Instead, a subfield was built in order to develop an alternative practice. The study shows that the individual actors taking part in this process are all part of the financial field: they work in private banks and/or belong to the most influential families of Geneva’s private banking. By launching different ventures specialized in different forms of sustainable investment, they manage to build and dominate a newly emerging field. To do so, they occasionally quit the positions they previously held, and take certain financial risks to accomplish something they deem ‘more meaningful’. Yet, they do so in a very cushioned way, relying on the social and economic capital they possess. Could it be otherwise? Would it be possible for challenging actors to launch the kinds of impact investing ventures that we observe? Impact investing requires gathering massive sums in order to launch meaningful investment vehicles, and to do so, one needs to have access to large amounts of ‘patient capital’. It seems exceedingly difficult for challenging actors (and even more so for actors from outside of the financial world) to achieve such projects. Thus, the specificity of finance seems to be an obstacle to the emergence of a challenger-driven moralized market.

The second point we want to make concerns the structuration and dynamics of the impact investment field that emerges through such an internal process. The moral market literature has shown how moral status plays an important role in the structuration of such markets (Suckert, 2018; Balsiger, 2021). Conventional firms cannot just enter challenger-driven moral markets without risking criticism and targeting by social movement actors. This is why they often collaborate with social movement actors when contributing to such markets, for instance by adopting labels (Kim and Schifeling, 2022). In the case studied here of an internal emergence of a moral market, we do see that moral status or moral legitimacy does play a role: incumbent actors refrain from entering these markets directly, at least in the first place. However, during the further developments of the impact investing field, we observe a broad diversification that leads to little open conflict and criticism: as the field frame expands and the ‘impact investing’

label grows, various actors freely join the field and claim this label. A central result of this research is that ‘impact investing’ in Geneva is actually more a label than a practice, in the field’s structuration process. In other words, it barely challenged existing practices, and was mainly used as a way of renaming old practices, or justifying their strategic diversification. Indeed, microfinance forms the substrate of these relabelling processes and consequently fuelled the practical innovations around sustainable finance, by encompassing various financial products deemed ‘sustainable’, ‘social’ or ‘environmental’. Overall, financial incumbent-led emergence of impact investing has consequences on the activities labelled as such, since it fosters its exploitative usage as a flexible and permissive marketing label. The ‘impact investing’ category is spreading into the financial world, fuelling variegated practices and being translated into numerous institutional contexts. It is, therefore, crucial to examine the conditions of its usage, but also its enactment in said contexts, in order to identify how it shapes the practices it encompasses and their consequences.

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Impact Investing and the Politics of Leverage: Towards a Meso-level Perspective on Derisking

Philipp Golka

1. Introduction

Scholars of financialization have long stressed the pivotal role of the state in enabling the rise of finance. Following [Krippner's \(2011: 6\)](#) critique that scholarship had treated 'the state and politics as exogenous' to financialization processes, a sizeable literature in economic sociology and political economy has emerged that investigated in detail the multifarious linkages between states and financial markets (for example: [Pacewicz, 2012](#); [Culpepper and Reinke, 2014](#); [Dowling, 2017](#); [Mertens and Thiemann, 2018](#); [Quinn, 2019](#); [Alami and Dixon, 2020](#); [Braun, 2020](#)). One form of state intervention in financial markets that has received particular attention is Daniela [Gabor's \(2021, 2023\)](#) notion of derisking, which describes monetary, regulatory and fiscal interventions that make financial investments less risky and more profitable. Derisking is understood to be more than just a policy tool: it is also seen as a new macrofinancial regime that combines the hope of boosting private investment through many carrots and few sticks with a reduction of direct public investments ([Gabor, 2023: 25](#)). But while this conceptualization has important diagnostic and analytical benefits, it provides only little explanation of how and why the derisking state emerges, rises and wanes. What is missing is a meso-level perspective that takes seriously the agency of policy makers and describes and explains their decisions of whether and when to promote derisking.

Studying the case of social impact investing (SII) in Britain,¹ this chapter attempts to fill this gap by providing an explanatory approach that shifts the analytical gaze towards the actions of elected politicians. My main argument is that politicians, at least in advanced Western economies, turn to derisking not primarily due to macrofinancial pressures or institutional constraints but when they hope that leveraging financial markets is to their *political* advantage. Inspired by pragmatist action theory, I argue that the emergence of derisking states can be traced to the emergence of particular situations, located primarily on the meso-level of elite networks and political contest, in which derisking appears as a salient tactic for policy makers' positional gain. SII in Britain represents a case in point here as policy makers have resorted to considerable derisking in a hope to mobilize private capital towards the creation of various social outcomes from health to education, rehabilitation and employment.

Why did the British government make the seemingly odd choice to derisk private finance as a means to bolster the welfare state? My argument is that tactical, political considerations by senior Labour and Conservative politicians informed the government's turn to derisking. These considerations are highly dynamic as they are informed by an evolving political context. Two political context factors are of particular importance: interest group pressure and hopes for electoral gains (Culpepper, 2010; Hacker and Pierson, 2010; Woll, 2016). As my empirical analysis shows, the dynamic of the SII market closely followed changes in these two dimensions. A first experimentation period (roughly until 2006) saw the emergence of interest group pressure as financial investors successfully formed an alliance with third sector leaders. In a brief boom period (approximately 2007–2012), electoral salience complemented growing interest group pressure, leading to an escalation of commitment from Labour and Conservative politicians. As criticism over the high costs of SII mounted, the fragile alliance between finance and the third sector ended. However, neither growing opposition from the third sector nor sluggish SII market growth put an end to SII derisking policies. Quite the opposite: lamenting lacking 'investment readiness', the Cameron government actually *increased* SII derisking to avoid acknowledging policy failure. Only when political personnel changed and electoral salience of

¹ For this study, I have analysed 37 reports of the Blair and Brown governments, 31 of the Cameron governments, 23 speeches of Labour and Conservative politicians, election manifestos of the winning parties, 23 documents from legislators, regulators and public authorities, 63 reports of governmental and non-governmental commissions, social sector associations, unions, think-tanks and financial intermediaries related to the issue, in addition to investor and government websites (including archived versions) and investor financial statements, as well as eight in-depth semi-structured interviews with relevant personnel (see Table 5.2 in the Appendix). See also Golka (2019).

welfare reform rapidly declined following the 2016 Brexit referendum, did government derisking of SII grind to a halt.

The malleability of impact investing played an important role in this process because it allowed for its financialization that increased the need for derisking but at the same time undermined its effectiveness. The notion of impact investing carries considerable interpretive flexibility and subsumes – as explored throughout this book – heterogeneous financial practices. In particular, it provides an umbrella term for financial practices seeking either low or high financial returns (Chiapello and Godefroy, 2017; Barman, 2020; Golka, 2024). Local factors thus inform not only what exactly is understood as ‘impact’ but also through which financial instruments this ‘impact’ is supposed to be achieved (see, for example, chapters by Sial and Sklair, Kabouche, and Caselli in this volume). In the case presented here, the economic opportunities opened up by the welfare reform debate were of crucial importance for impact investing to take the shape of *social* impact investing. After all, the global impact investing label emerged only a decade or so *after* welfare innovations had been developed in Britain under the label of *social investment*. The growing popularity of impact investing, which includes highly financialized venture capital approaches (Golka, 2023), helped a group of financialization proponents surrounding former venture capitalist Ronald Cohen to strengthen their position within social investment. The malleability and ambiguity of the social (impact) investing label was thus crucial because it allowed the formation of the critically important alliance between financialization proponents and third sector incumbents that pushed social investment towards financialization. As a result, original ideas of social investment – strengthening the organizational capacity of charities through the state-led provision of low-interest loans – were turned into financialized practices of SII, such as the translation of venture capital principles to the social sector (‘Social Venture Capital’ (SVC)) as well as Social Impact Bonds (SIBs).² This financialization process made social investment largely unaffordable for third sector organizations, creating a need for derisking – but also undercutting the fragile alliance upon which the whole SII project was built.

Besides furthering our understanding of impact investing, this chapter adds to scholarship on financialization. Looking to understand how financial markets penetrate non-market terrains such as social welfare, sociologists have pointed to important discursive and socio-technical preconditions (Zelizer, 2017; Quinn, 2019; Chiapello and Knoll, 2020; Chiapello,

² SIBs are social service delivery contracts between a government department and a financial intermediary that pay variable rates of return for the delivery of contractually defined social outcomes.

2023). Political economists, by contrast, have often focused on the role of the state in creating, shaping and entrenching financial markets (Krippner, 2011; Mertens and Thiemann, 2018; Schelkle and Bohle, 2021; Gabor, 2023). Derisking is of particular importance for financialization processes because it renders the creation and proliferation of financial assets more profitable and less risky. As derisking creates economic opportunities for financial actors, one might think that it is a direct result of financial market power. However, the case of SII tells a different story: impact investors looking for new economic opportunities amounted to nothing more (and nothing less) than the sufficient condition for the rise of derisking. The more fundamental, necessary condition was policy makers' perception of political opportunities: the state turned to derisking SII only as long as senior politicians hoped that leveraging finance would prove politically beneficial to them. Shifting the analytical focus from the macro-level derisking state to the meso-level politics of leverage thus offers an important lesson: derisking needs to be politically beneficial.

The next section describes the politics of leverage and links it to scholarly debates on the role of the state in financialization. This is followed by three empirical sections on the rise and fall of SII in Britain that correspond to the tenure of British governments. Section 3 describes how the Labour governments from 1997 to 2010 created key institutional and political conditions that allowed SII leverage policies to gain political salience around 2008. Section 4 describes how electoral hopes and a short-lived alliance between social sector reformers and impact investors led, under the Cameron governments of 2010–2016, to a boom of SII leverage policies. Section 5 describes the demise of SII post-2016. This chapter ends with a discussion.

2. From derisking to the politics of leverage

Scholars of political economy and economic sociology have frequently pointed to the multifarious ways in which governments engage with financial markets. Examples include the use of development banks as anchor investors (Mertens and Thiemann, 2018), supporting the creation of financial assets in international development (Gabor, 2021), the active creation of financial instruments (Pacewicz, 2012; Quinn, 2019), or the development of organizational, financial and cognitive infrastructures underpinning financial markets (Wiggan, 2018; Braun, 2020; Pinzur, 2021). These examples point to a wider transformation of state agency that is increasingly market-based as governments seek to achieve policy goals by affecting financial markets (Braun et al, 2018; Mertens and Thiemann, 2018). The pursuit of such strategies can have unexpected consequences, as increasing reliance on financial markets creates dependencies on financial expertise that can lead to more far-reaching institutional change (Golka and van der Zwan, 2022).

This means that there is often a bidirectional relationship between states and financialization in which governments' engagement with financial markets is linked to a financialization of the state itself (Davis and Walsh, 2015; Schwan et al, 2021).

Against this backdrop, Daniela Gabor (2023) has recently argued that Europe currently sees the rise of what she calls the 'derisking state'. The derisking state 'enlists private capital into achieving public policy priorities by tinkering with risk/returns on private investments in sovereign bonds, currency, social infrastructure (schools, roads, hospitals and houses, care homes and prisons, water plants and natural parks) and most recently, green industries' (p 2). Rather than directly investing into these projects, the state is concerned with rendering them into 'investable' assets, thus forging 'a state-capital relationship where capital dominates' (p 4). While the derisking state has monetary, fiscal and regulatory dimensions, for this chapter it is particularly important to note that derisking involves the payment of considerable (direct and indirect) subsidies to investors that are, in contrast to the credit guiding policies of earlier developmental states, attached to only weak conditionalities (p 4). The derisking state thus combines many carrots with few sticks in the hope of attracting investment. Protecting investor profits through state funds, derisking may increase economic inequalities and, compared to direct public investments, increase the complexity in economic governance and reduce public control over the use of public resources.

Despite its diagnostic timeliness and analytic utility, the notion of the derisking state leaves important questions regarding the agency of elected politicians unanswered. Indeed, Gabor argues that 'derisking is governed by a deep suspicion of democratic politics as vehicle for structural transformation' (p. 11). While Gabor acknowledges that the derisking state 'emerges gradually from political choices made by state managers' (2023: 3), which can be read to include elected politicians, the role of electoral politics is thus far not spelled out particularly clearly. This reduces the explanatory power of the derisking concept as the turn to finance is a political choice, often made by elected politicians, and is therefore likely made based on *political* calculus. Even though macrofinancial conditions and capital interests certainly inform such political calculus, this does not mean that the genesis of political programmes can be reduced to these. In Western capitalist democracies, elected politicians need to secure their highly fragile positions, and it is thus likely that they will turn to finance whenever they hope this will help their positional ambitions.

In this chapter, I propose to shift the analytical perspective from the macrofinancial outcome of derisking to the perspective of politicians and political parties, asking how and when they come to find using public funds to mobilize private capital politically beneficial. My argument is that political

actors turn to derisking when they hope to use it as a form of leverage in the political arena. While what I denote as leverage policies – that is, all forms of direct and indirect subsidies including guarantees, co-investments or tax incentives that are justified by the hope to mobilize private capital – are derisking policies, my approach differs from the concept of the derisking state in two important regards. First, leverage policies are confined to those interventions that are under control of the respective political actors. For example, an environmental ministry may subsidize the creation of impact assets but, in case of independent central banks, cannot alter monetary policy. Second, understood as politically motivated acts, leverage policies raise the question of their assumed *political* benefits. Many potential benefits come to mind: as the principle of leverage refers to a large movement in the distance through only minimal efforts in the proximity, leverage policies may allow policy makers to communicate large quantities of ‘mobilized’ financial investments while facing budgetary and parliamentary scrutiny only for a much smaller amount. Turning to leverage can thus create the image of ensuring fiscal prudence. Another important benefit of leverage policies is their temporality: they allow politicians to claim the mobilized sum in the present, while pushing the question of whether or not capital will indeed be mobilized into the future – a time when public attention will likely have shifted. Leverage policies can thus serve as instruments to signal agency while avoiding accountability.

Although leverage policies feature various potential benefits, this does not necessarily imply that politicians also perceive them as beneficial. As suggested by pragmatist action theory, whether or not potential courses of action, such as leverage policies, are viewed positively depends on the situational set-up that makes some policies appear more beneficial than others. As previous scholarship has shown, institutional factors such as the (lacking) availability of other policy instruments, particularly on the local and state levels of government, are of vital importance in explaining the turn to finance (Krippner, 2011; Pacewicz, 2012; Quinn, 2019). My argument is that besides institutional and legal constraints, the set-up of the political arena plays an equally important role.

Two main sites of political contestation are commonly distinguished in the political science literature: interest group and electoral politics (Culpepper, 2010; Hacker and Pierson, 2010; Woll, 2016). Electoral politics refers to the arena populated by political parties and politicians who, by way of affecting discourse and public opinion, seek to sway the electorate in their favour. Electoral institutions play an important role in shaping the dynamics of electoral politics. In a first-past-the-post system dominated by two parties, such as the UK, this means that a discursive move by one party may create openings for the other party and thus shift their political stance. As will be described, these electoral dynamics played an important role in SII as they

led to an escalation of commitment towards leverage policies in the months preceding the 2010 general election.

However, not all policy issues are always electorally salient. In times of ‘quiet politics’ marked by the absence of electoral salience, interest groups play an important role in setting political agendas and pushing for particular policies (Culpepper, 2010). While, in principle, all societal groups can advance their interests, in practice, access to senior politicians as well as economic resources to fund political parties are highly unequally distributed and a key source of business power (Culpepper and Reinke, 2014). However, the case of SII shows that it would be wrong to infer that business interests to advance leverage policies always prevail. Rather, depending on the policy issue, support from other incumbents – such as social sector associations – may be equally important. As will be described in the following sections, political support for SII was strong during the short period in the early 2010s when both SII financiers and social sector associations embraced SII. As this short-lived alliance disintegrated, leverage was, for a short period, further advanced to deflect blame for the increasing failure of and disappointment related to SII. However, the underlying failures and loss of electoral salience made it easy for Theresa May to abandon the issue in the wake of Brexit. The turn to derisking can thus be explained by unpacking the situations that make it politically beneficial.

3. Labour governments: making the turn to finance politically beneficial

Thirteen years in power, the Labour governments under Tony Blair and Gordon Brown created the institutional and political conditions that made the introduction of finance into social policy politically beneficial, even if their use of leverage was limited as direct government funding to social organizations prevailed. As will be described, this institutional transformation of social welfare was itself shaped by a sequence of emerging political opportunities. The financialization of social welfare in Britain was thus not planned from the beginning, but became an incrementally salient option for politicians as the situation changed.

As public trust in the competence regarding economic policy of the Conservative Major government eroded following ‘Black Wednesday’ in 1992, Labour Party reformers around Blair and Brown saw an opportunity for electoral success by positioning Labour as the more competent steerspersons of an increasingly marketized political economy. Replacing Labour’s agenda of redistributive justice with a commitment to prudent economic growth and a ‘social investment welfare state’ (Giddens, 1998), a focal point of ‘New’ Labour was to invest into the modernization of the state in the hope to generate long-term fiscal savings. Welfare state modernization became the

key policy issue for Chancellor (and later Prime Minister) Gordon Brown who, in the run-up to the 1997 election, had been granted significant authority over domestic policy by Blair in exchange for standing down in the election as Labour leader.

Due to the structure of the British bureaucracy that lacks a distinct ministry for social affairs, Brown had to achieve his social policy goals as Chancellor of the Exchequer and thus by using Treasury instruments. His approach was to require all government departments to justify their spending from zero-up vis-à-vis specific ‘outcomes’ which would be defined only in agreement with HM Treasury. Introducing such outcomes management into social policy was the ‘most bitter of the battles over domestic policy’ between Brown and Blair (Lee, 2008: 106). Whereas Blair preferred his model of ‘earned autonomy’ that gave service providers autonomy within nationally defined standards, Brown eventually succeeded with implementing his view of ‘constrained discretion’ that linked payments to service providers to their delivery of social outcomes. As a result, funding for third sector organizations changed from statutory grants to service delivery contracts (Macmillan, 2010), and contracts based on social outcomes (so-called payment-by-results) in particular.

The transformation from statutory grants to service delivery contracts created a situation where third sector incumbents such as the Association of Chief Executives of Voluntary Organizations (ACEVO) emerged as advocates for finance in the third sector. Representing the chief executives of third sector organizations, ACEVO supported the transformation towards outcomes contracting, as it would increase their organizations’ managerial flexibility. However, as third sector providers now competed with for-profit firms in public tenders for delivery contracts, they called for additional funding to cover their management costs (‘full-cost recovery’) and for loans to build their organizational capacity. Appeasing the demands of the third sector – one of New Labour’s key constituents – the government set up Futurebuilders England to provide affordable loans to third sector organizations. This introduced repayable finance as a social policy tool as well as the label ‘social investment’.

Finance also made its way into social policy through a second avenue: under the label of ‘neighbourhood renewal’, the New Labour government wanted to drive business growth in poor urban areas. Led by HM Treasury, an interdepartmental work group found that minority-owned businesses as well as businesses located in poor urban areas – so-called ‘community enterprises’ – had difficulties accessing finance (HM Treasury, 1999). To address this issue, the aim was to ‘strengthen the ability of [Community Finance Initiatives that lend to community enterprises] to raise finance from private investors’ (HM Treasury, 1999: 81). In the hope that this would facilitate ‘lending of a much larger amount’, public loan guarantees as well as tax credits for such financial intermediaries were proposed.

In this context, a group formed that attempted to transform the neighbourhood renewal agenda into what would gradually become SII. To further develop the ideas from the 1999 Treasury report, Gordon Brown invited a ‘Social Investment Taskforce’ comprised of business and charity executives and led by former venture capitalist and Labour donor Ronald Cohen. Whereas the prior report focused on loans, the Taskforce shifted the focus and introduced the idea of venture capital-like equity finance for community enterprises. To bolster such a venture capital market, the government was asked to provide a £100m government anchor investment to set up a private, for-profit Community Development Venture Fund run by ‘experienced ... venture capitalists’ (*Social Investment Taskforce*, 2000: 19) that would seek to lever in private capital. In addition, the government should monitor the growth of ‘wholesale’ intermediaries (funds-of-funds) for community finance and, if necessary, provide additional funding (pp 24–5). However, although the government supported some of the Taskforce’s recommendations,³ these two leverage policies were, at this point, not followed through, and were taken up in a modified form only after leverage had become much more politically beneficial.

Political momentum in support for social investment galvanized around 2006–2007, when it became a much noisier issue in electoral politics, and when the two disjoint interest groups around Cohen and ACEVO formed a (temporary) alliance. Following the 2005 general election, Labour faced increasing competition from Conservatives who, under their new leader David Cameron, copied key parts of New Labour political tactics and now sought to position themselves as modernizers and champions of the third sector. This meant that Labour’s 2005 election Manifesto commitment to develop a ‘common definition and a comprehensive record of unclaimed assets’ (that is, funds from unused bank accounts) and ‘channel them back into the community’ faced increased parliamentary scrutiny (*Labour Party*, 2005). While Labour’s proposed legislation regarding the collection mechanism of these unclaimed assets received wide support, Conservatives criticized their proposed usage as ‘pet projects’ serving personal agendas of politicians rather than the public.⁴ As the usage of unclaimed assets was to be formally defined within the Dormant Accounts legislation, Labour needed to find a new, less politically vulnerable use.

³ Such as a £20 million ‘anchor investment’ into Bridges Ventures, the Community fund co-led by Ronald Cohen and Michelle Giddens (daughter of Anthony Giddens) that pioneered the concept ‘social venture capital’ in 2004. <https://docslib.org/doc/3801714/equity-like-capital-for-social-ventures>

⁴ Hansard Records of House of Commons Debate, 6 October 2008. Available from: www.publications.parliament.uk/pa/cm200708/cmhansrd/cm081006/debtext/81006-0008.htm

SII proponents around Ronald Cohen saw Labour's predicament as an opportunity to fund their 'wholesaler' idea and quickly moved to gain support from the third sector, and ACEVO chairman Stephen Bubb in particular. Before 2007, SII proponents around Cohen had been highly sceptical of third sector organizations, denouncing their 'culture of philanthropy and dependence' and social services that merely addressed the 'symptoms of poverty' ([Commission on Unclaimed Assets, 2006](#)). However, hoping to gain support for their idea, SII proponents invited third sector leaders to their 'Commission on Unclaimed Assets' and changed their framing of the third sector. In contrast to just a year earlier, they now argued that the third sector's role in 'combatting disadvantage ... has never been more important' but held back from it being 'fragmented, under-capitalised and, in aggregate, unable to invest in sustainable growth and development' ([Commission on Unclaimed Assets, 2007](#)). As a civil servant charged with SII at that time recalled:

I think Stephen's [Bubb] and Ronny's [Cohen] agendas kind of overlapped, and Stephen saw Ronny as a powerful political figure. Ronny was talking about capital for social good, Stephen thought 'Well that's what I mean, I'm talking about money for social good so this is the same thing, so yes, I agree, let's have a Social Investment [Wholesale] Bank, I agree with this Ronny Cohen agenda, Social Investment ... we want Social Investment!' I don't think at that point Stephen had any idea about what he meant by Social Investment, but you then ended up with this lobby group outside government that was a combination of representatives of social sector organizations like Stephen, and people like Ronny who perhaps came from a financial services background ... but didn't come to it with a connection to the social sector. (Interview E: 11:30)

Faced with pressure from Labour donor Cohen, key political constituents such as ACEVO, as well as Conservatives who voiced strong support for the ideas of the Commission, Gordon Brown, who was now prime minister, publicly made the social investment wholesaler his 'priority' ([Brown, 2007](#)).

Electoral and interest group pressure also led the Labour government to overcome institutional barriers in the development of SIBs. When the SIB concept emerged around 2007, most of its underlying ideas – outcomes-based third sector contracting aimed at prevention – had already been on the table. Moreover, Labour was under increased scrutiny for its 2005 Manifesto commitment to 'tackle reoffending' that promised voluntary organizations 'greater opportunities to deliver offender services'. Thus, when the first SIB that sought to reduce criminal reoffending at Peterborough prison was put in place, the only significant institutional innovation was the payment of *variable* rates of return depending on the delivered social outcomes. As one of

the key institutional entrepreneurs behind the first SIB noted: ‘the problem with impact bonds was that they may or may not have a future liability to pay’ (interview F: 25:37) for which gaining Treasury approval was the main challenge (interview F: 29:15). However, due to the significant political momentum behind SIBs, Brown and his close political allies personally intervened to break Treasury resistance. As an adviser to Brown explains:

I have a very clear recollection of one meeting early on a Monday morning with the team of officials. And, ehm [Treasury minister] rang me on the Sunday afternoon and said ‘I’ve got ... a list of reasons from the officials here, why this isn’t going to work, and ...’ you know, ... [c]an you convince me these are not significant obstacles?’ And we talked that afternoon, with Social Finance people talking to the Minister, too, and at the end of it he said ‘Well the only way I can see through this is to get a different team of officials. Cause they’re not gonna change their minds. I’ll do what I can.’ And then next morning we went into the meeting and there was an entirely different team of officials. ... He had to change people in order to deliver the PM’s wishes. But he only did that because he felt convinced that there was a robust argument. (Interview C: 38:29)

By the 2010 election, leverage geared at growing the SII market had become a politically beneficial tactic. With SVC and SIB instruments in place, SII proponents could now make claims to their ability to ‘lever in’ private capital in exchange for subsidies. As their calls for support were amplified by third sector incumbents, considerable interest group pressure existed. In addition, SII also became an issue in electoral politics due to the outspoken support from David Cameron that led SII figurehead Cohen to switch from being a Labour to a Conservative Party donor before the 2010 election. As the stakes grew higher, Brown pledged ‘up to £75 million’ of unclaimed assets to the creation of the Commission’s SII wholesaler proposal, but he was quickly outbid by Cameron. Political pressure from interest groups and Conservatives thus gradually led Labour to embrace leverage in social policy. But as described next, their commitment to leverage paled in comparison to that of the Cameron governments.

4. Cameron governments and the turn to leverage

One important driver of leverage policies was the increasing public attention and electoral salience that SII received as the Conservative Party, under their new leader David Cameron, began mirroring the New Labour playbook in the run-up to the 2010 election. Following Labour’s template of ‘modernizing’ (Finn, 2015: 35) the Conservative Party, David Cameron

embraced – at least discursively – many Third Way ideas but sought to position the Conservatives as more effective than Labour in delivering them. The resemblance with Labour policy goals was striking. For example, just months after Labour pioneered the first SIB (a form of payment-by-results contract) that addressed reoffending, Conservatives promised to ‘rehabilitate’ prisoners with help from ‘private and voluntary sector providers’ based on ‘the same approach that lies behind our welfare reform plans – payment-by-results’ (Conservative Party, 2010: 69). But Cameron’s brand of ‘compassionate conservatism’ also built on mobilizing support from Liberal Democrats, for example by launching the platform LibDems4Cameron quickly after becoming party leader in 2005 (Finn, 2015). While Conservatives copied many of Labour’s aims, they differed in attributing causes to social problems. Where Labour had often centred market failure, Conservatives problematized ‘big government’, lamenting that social innovation had been held back by what they framed as Gordon Brown’s desire to maintain centralist control. Although Cameron’s idea of a ‘Big Society’ to replace what he described as Labour’s ‘big government’ with a commitment to localism quickly unravelled in the first years after the 2010 election, it was nevertheless successful in luring the Liberal Democrats to join the Conservatives, rather than Labour, for a coalition government in the 2010 hung parliament.

As part of his electoral strategy, Cameron resorted to ‘boosterism’ in order to show the superior delivery and reform capacities of his government (Wiggan, 2018). Boosterism denotes an ‘ideological, political project’ that seeks to ‘naturalize ... that certain types of development and growth are good for everyone’ (McCann, 2013: 8). Boosterism ‘captures how policymakers strategically promote policies to manufacture anticipation and demand for preferred reforms, while positioning the subject boosted as a source of innovation, expertise and/or site for investment’ (Wiggan, 2018: 722). Already during the election campaign, Conservatives frequently resorted to boosterist imaginaries. For example, Cameron called for a ‘vast expansion of resources’ for community organizations, noting that government should ‘press on further and faster’ to achieve these goals (Cameron, 2006). Before the election, Conservatives also pushed for ‘real stress’ to further strengthen the role of the third sector in service delivery, explicitly taking up the sector’s demands regarding full-cost recovery, and picturing the ‘quantum leaps in progress’ that could be made with more government dedication to social innovation (Maude, 2008). Here, particular emphasis was on boosting the ‘disparate’ work of ‘social entrepreneurs’ who have complained ‘for over a decade’ that their main challenge was ‘growing and replicating successful social programmes’ (Cameron, 2009).

To fulfil these boosterist promises, Conservatives increasingly turned to leveraging SII and setting up the Social Investment Bank proposed by Cohen. During their time in opposition, Conservatives repeatedly pushed

Labour to prioritize the creation of the Bank, even beyond the £75million of Unclaimed Assets eventually committed by Brown. Here, they received vocal support from the third sector – and ACEVO in particular – who called a future Conservative government to make ‘the growth of the social investment market a top priority’ (ACEVO, 2009), even calling for a commitment of £1–2 billion for the creation of the bank. Newly elected, Conservatives pledged to set up the bank – named Big Society Bank and later renamed Big Society Capital (BSC) – within just a few months after the election in April 2011 (Cabinet Office, 2010).

However, Cameron’s boosterist promises faced a technical problem as the collection of unclaimed assets was a slow and complex process. This meant that only £60–100 million, that is, approximately the size Brown had pledged, would have been available for the launch of the bank. To fulfil its boosterist promise and trump Brown’s pledge, the government asked the four largest UK banks to invest £50 million each into the creation of BSC.⁵ However, this created significant follow-up problems, because, as a senior civil servant notes, the banks were ‘investing and not granting’ and thus BSC ‘needed to be delivering certain rates of return’ to the participating banks (interview D: 17:43). The need to distribute profits to the banks directly translated into higher capital costs (often a 6 per cent interest rate) for social organizations, as BSC expected a 4 per cent return from the SII intermediaries it invested in (Casanovas and Ferraro, 2021). As not-for-profit organizations such as charities and social enterprises had difficulties affording these financing costs (Alternative Commission on Social Investment, 2015), the government expanded the SII target organizations to ‘social ventures’ that included for-profit businesses (Office for Civil Society, 2011: 14). Leveraging SII out of political motives thus accelerated its financialization.

The gradual shift from social investment to financialized SII strengthened the ties between finance proponents around Cohen and the government, further increasing the government’s interest in growing SII as a *financial* market. As a civil servant recalls: ‘So we would go ... they borrowed offices from Ronny [Cohen’s] Trust in Oxford Street, we would stay over there and work together or they would come here, we drafted documents jointly’ (interview D: 24:30). The proximity between finance proponents and the government resulted in a strategy shift where the growth of SII was increasingly described as an end in itself. While under Labour, SII had been part of the Social *Enterprise* Strategy, the Conservative governments published

⁵ This was part of the so-called Project Merlin agreement between the Cameron government and Barclays, Lloyds Banking Group, the Royal Bank of Scotland and HSBC. The agreement followed up on the expiration of a temporary tax on bank bonuses that was introduced in the wake of the British bank rescue package in 2009.

Social *Investment* Strategies in 2011 and 2016. Increasingly, the goal became to translate the UK into a ‘global hub’ for SII (HM Government, 2016a). As a result, the government openly advocated leverage, for example advertising its Dementia Discovery Fund and Arts Impact Fund as ‘innovative methods of using government money to raise capital from the private sector’, or projecting how a Social Investment Tax Relief would ‘unlock £480m worth of investment’ (HM Government, 2016b: 8).

Committed to boosterism, the Cameron government came under increasing pressure to demonstrate the success of its leverage policies. However, the financialization of SII – itself a product of boosterism – led to high costs of capital that made SII unaffordable for most social enterprises and translated into a lack of demand for SII capital. Although BSC had received a total of £600 million, by 2015, it had only been able to invest £68 million of its funds (HM Government, 2016b: 8). As a result, SII was increasingly considered failed policy (interviews C, E, H). Moreover, the third sector increasingly voiced its disappointment with SII, forming an ‘Alternative Commission’ that argued SII investors ‘sit in their expensive London offices offering finance that is of little relevance to the rest of the UK modelled on the venture capital industry’ (Alternative Commission, 2015: 12). SIBs, too, had seen much lower demand than expected by policymakers (interview D: 40:43), as the idea to introduce private finance to social policy often encountered resistance from local commissioners (Williams, 2020). In addition, the third sector felt increasingly alienated by the government’s turn to austerity. As the third sector vocally opposed government spending cuts, the government not only cancelled statutory funding to associations such as ACEVO⁶ in 2012, but also intended to limit the sector’s ability to engage in political campaigning through legislation and respective clauses in government grants.⁷ As a result, ties between the government and third sector incumbents had, by 2016, become ‘virtually non-existent’ (interview H: 45:04).

Almost paradoxically, however, the growing failure of SII led to an unprecedented boom of leverage. To avoid acknowledging policy failure and to maintain the boosterist imaginaries of SII, the government shifted the blame for failing SVC to social organizations’ lacking ‘investment readiness’, and for failing SIBs to a lack of fiscal incentives with local commissioners (Golka, 2023). Hoping to finally materialize the promises of SII, the government significantly expanded its leverage programme for both SVC and

⁶ For example, Stephen Bubb on 26 November 2010. Available from: <http://bloggerbubb.blogspot.de/2010/11/big-society-bank.html>

⁷ For example, BBC News (2016) ‘Charities “will be silenced” by new grant rules’. Available from: www.bbc.co.uk/news/uk-politics-35509117

Table 5.1: Cameron government subsidies for SII market development listed in analysed documents

Year	Name of fund	SII target	Volume (£ million)
2012	Big Society Capital	Investments into SII intermediaries	400
2012	Investment and Contract Readiness Fund	Investment readiness	13
2012	DWP Innovation Fund	SIBs	28
2013	Social Incubator Fund	Investment readiness (partially)	10
2014	Big Potential	Investment readiness	20
2014	Commissioning Better Outcomes	SIBs	40
2014	Social Outcomes Fund	SIBs	20
2014	Impact Readiness Fund	Investment readiness (partially)	4
2014	Youth Engagement Fund	SIBs	16
2014	Fair Chance Fund	SIBs	15
2015	Access Foundation	Investment readiness	60
2015	Local Sustainability Fund	Investment readiness (partially)	20
2015	Dementia Discovery Fund	Co-investment into private funds	15
2016	Life Chances Fund	SIBs	80

SIBs (see [Table 5.1](#)). In addition to funding BSC, at least £199 million have been made available in the form of ‘outcomes funds’ for SIB development. Moreover, SVC has been ‘boosted’ by over £100 million central government grants for ‘investment readiness’, in addition to co-investments and the Social Investment Tax Relief.

5. The demise of SII policy post-Brexit

As dominant issues, political personnel and the electoral arena changed following the 2016 Brexit referendum, political gains to be realized from further attempts to grow the sluggish SII market through leverage policies diminished. The resignation of David Cameron and George Osborne ended not only the political brand of ‘compassionate conservatism’ and the remnants of the Big Society programme, but also the tenure of senior politicians

who had invested significant political capital into the boosterist vision of a thriving SII market. When Theresa May became prime minister, the role of the Home Office⁸ in social policy was strengthened, weakening the HM Treasury–No. 10 link that had dominated social policy for more than a decade. Faced with Jeremy Corbyn’s ‘optimistic, anti-austerity’ campaign in the 2017 general election (Page, 2018: 121), Theresa May sought to distance herself from Cameron’s austerity policies and argued instead for increased direct state intervention in social welfare (Williams, 2019).

In a different political climate, with her Home Office background, and without strong interest group pressure, Theresa May had little to gain politically from further SII leverage policies. As a result, SII policy lost priority. Although a number of new SIBs have been set up since 2016, virtually all of them had, according to the Oxford SIB Database, been funded from leverage policies such as the Life Chances Fund budgeted under Cameron.⁹ SII policy also lost its central position in the government bureaucracy. While Cameron maintained the Cabinet Office unit and ministerial role for third sector and SII policy created by Brown, Theresa May moved the position to the more peripheral Department of Culture, Media and Sports, and subsequently merged the ministerial post with the minister for sports. The topical focus was also changed: rather than welfare reform, the goal was now to strengthen institutional investors’ impact considerations (Implementation Taskforce, 2019). This points to the malleability of the impact investing term, not just in the impact investing market but also in terms of policy.

As of 2021, the political project to ‘bridge the hostile worlds’ of financial markets and social welfare (Chiapello and Knoll, 2020) through the use of leverage appears to have failed. Where ‘social investment’ policies still exist, they tend to focus on direct public or charitable investments rather than indirect leverage policies. For example, the recent £30 million ‘social investment pilot to fund over 200 homes for rough sleepers’ is jointly funded by government and BSC but does not mention aims to lever in private finance.¹⁰ The financial actors previously involved in SII seem to have turned to a much broader definition of impact investing. As a recent market survey suggests, only about 9 per cent of the British SII market is now made up by SVC, with bank lending and real estate investments making up over 75 per cent of the market.¹¹ In parallel, political interest in further growing the SII

⁸ Before becoming prime minister, Theresa May was the longest-serving home secretary since the 1890s (Williams, 2017).

⁹ <https://golab.bsg.ox.ac.uk/knowledge-bank/indigo/impact-bond-dataset-v2/>

¹⁰ www.gov.uk/government/news/social-investment-pilot-to-fund-over-200-homes-for-rough-sleepers

¹¹ <https://bigsocietycapital.com/latest/uk-social-impact-investment-market-now-worth-more-than-5-billion/>

wholesaler BSC has been reduced. While Cameron pledged all unclaimed assets for BSC, only about one third of the funds of a recent £150 million expansion had been distributed to BSC.¹² When the Johnson government announced they were going to expand the unclaimed assets scheme to pensions and insurances, it also committed to a consultation to alter the legislated uses of unclaimed assets, which could deprive SII of one of its last remaining sources of government funding.¹³

6. Discussion and conclusion

The case of SII in Britain is paradigmatic for the malleability and translation of impact investing. Preceding the notion of impact investing by almost a decade, SII developed largely separately from the US-centred impact investing sphere until the publication of the famous ‘Invisible Heart of Markets’ report by the G8 in 2014. However, as the development of SIBs and SVC in Britain coincided with the rise of the notion of impact investing, these nascent practices could be framed as part of a global trend. Bolstering the position of finance proponents around Ronald Cohen, this facilitated the shift from initial ideas of social investment towards SII as a highly financialized practice. Finance proponents thus exploited the malleability of the impact investing concept to position it as the continuation and strengthening of social investment approaches that emerged during the early 2000s. The fact that the terms social investment and SII are often used interchangeably speaks to the discursive success of those seeking to financialize social investment. This offers two important insights for financialization scholarship – one empirical and one conceptual.

On the conceptual level, the case of SII adds to scholarship stressing the role of the state in processes of financialization (Krippner, 2011; Gabor, 2021; Schwan et al, 2021). The case of SII shows that state support in the form of derisking results from a gradual change that makes it increasingly politically beneficial. Although derisking always comes with some strategic benefits for the involved politicians, such as the ability to signal state capacity while pushing accountability into the future, these benefits alone are not sufficient to motivate a turn to derisking. The case of SII thus invites us to shift the analytical focus from the macrofinancial outcome of derisking to leverage as a political tactic. The main finding here is that governments engage in derisking when politicians find the use of leverage politically helpful. As the case of SII shows, this may be the case for moments of heightened public

¹² www.gov.uk/government/news/government-unlocks-150-million-from-dormant-accounts-for-coronavirus-response

¹³ www.civilsociety.co.uk/news/government-warned-over-new-dormant-assets-bill.html

attention in which the reciprocal positioning of political opponents may lead to an escalation of commitment. Equally important is strong interest group involvement in pushing for derisking – especially when non-financial actors lend their credibility to financial actors’ demands. But as the rapid demise of SII post 2016 shows, the conditions for the political advantageousness of derisking are inherently fragile and may rapidly change. Scholars seeking to explain the state’s turn to derisking thus need to investigate what’s in it for senior politicians, and how its benefits on the political stage arise and wane.

This chapter also adds to the nascent sociological and organizational literature on impact investing (Barman, 2020; Casanovas and Ferraro, 2021; Burnier et al, 2022; Chiapello, 2023). As various contributions in this volume have stressed (see chapters by Chiapello and Roth, Kabouche, and Sial and Sklair), the emergence of new financial assets often hinges on the activities of institutional entrepreneurs who alter professional practices and popularize emerging categories such as impact investing. These important findings also hold for the UK where the emergence and popularization of SII was critically driven by institutional entrepreneurs such as Ronald Cohen. However, the amplitude of SII market development with a slow beginning, a rapid escalation and an equally rapid demise also shows that the creation of new financial products is a relational exercise over which institutional entrepreneurs hold only partial control. As economic sociologists such as Neil Fligstein (2001) have stressed, institutional entrepreneurship hinges upon the creation of alliances. In the case of SII, support from both policy makers – in which Cohen’s party donations likely played an important role – and social sector incumbents was necessary for the growth of the SII market. As long as social sector support for SII was weak (until around 2007), the government committed only little financial resources. Likewise, SII quickly ran out of steam once alliances with government and social sector incumbents ended and political priorities shifted around 2015–16.

Appendix

Table 5.2: List of interviews conducted in summer 2016

Ref.	Position at the time of interview	Length
A	Labour MP and Treasury minister in Labour governments	39:22
B	Former senior civil servant, HM Treasury and Office of the Third Sector	86:12
C	Executive of voluntary organization, member of the Council on Social Action and other advisory roles under Gordon Brown	49:47

(continued)

Table 5.2: List of interviews conducted in summer 2016 (continued)

Ref.	Position at the time of interview	Length
D	Senior civil servant in Office for Civil Society, key role in Big Society Capital creation and SIB interventions	69:55
E	Former civil servant in Office of Third Sector	71:51
F	Senior manager at Social Finance Ltd, and part of the team working on the first SIBs	40:38
G	Former senior civil servant at Department of Trade and Industry and Office of the Third Sector	88:34
H	Former senior executive of a voluntary sector association during most of the observation period, member of Commission on Unclaimed Assets	69:33

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Social Impact Investing in Italy: A Case of Weak Financialization of Welfare?

Davide Caselli

Introduction: Social impact investing in Italy

Research has shown that Social Impact Bonds, the flagship tool of social impact investing (SII), have encountered difficulties and limits at the global level ([Williams, 2020](#)) and Italy seems to be an extreme case of such difficulties, being the only G7 country that has not developed one yet. At the same time, a number of initiatives for the promotion of SII at the institutional level have been undertaken, with the structuration of a domestic social impact ecosystem, strongly connected to the international Social Impact community.

In order to explore the specific features of SII in Italy, the chapter combines the socio-technical perspective that allows identification of ‘strong’ and ‘weak’ forms of financialization ([Chiapello, 2019](#)) with the more institutionally and politically sensitive literature on the temporality of global policy circulations, articulating the analysis of fast and slow processes, from discursive adoption to actual implementation ([Peck and Theodore, 2015](#); [Grimwood et al, 2022](#)).

The chapter tackles the question of label creation in SII, and specifically which actors seize and promote it and through which processes they succeed or fail in institutionalizing SII.

In the first section, I sketch the essential features of the two strands of literature employed for the analysis and suggest how they can be fruitfully combined. In the second section, I start by presenting an overview of the debate on SII in Italy and then offer a detailed reconstruction of the decade 2013–22. In doing so, I put the two aforementioned theoretical approaches to work, identifying the different socio-technical operations through which

efforts to root SII in the national context have gone, and the different temporalities they have required, giving evidence of crucial political and institutional factors that have influenced the process.

In the final section, I offer some tentative conclusions, positioning Italy in the tension between weak/strong and fast/slow financialization of welfare.

Defining financialization: strong vs weak or fast vs slow?

Following Chiapello's socio-technical approach (Chiapello, 2018), financialization is a 'specific process for transforming the world by practices, theories and instruments that originated in the financial sector' (Chiapello, 2018: 82). This process entails a 'work' that acts on both the discursive and the financial level and can determine *strong* or *weak* financialization, depending on the degree to which each level is developed. To be more precise, according to the author, the work of financialization is the result of three groups of operations:

1. *Qualification*: this phase is 'chiefly discursive and ideological' (Chiapello, 2018: 194) and is based on the relabelling of social and environmental questions in financial terms: objects and relations become *capital*, the work done for their management and development becomes a form of *investment* and the satisfaction obtained from these activities becomes a *return* calculated on the basis of the *risks* run by the 'investing subjects'. The world becomes a big financial market where social actors must act in order to maximize their interest. This phase is usually led by economists and economic expertise.
2. *Making of assets and liabilities*: this is the moment when these concepts become 'tangible' (Chiapello, 2018), that is, when the qualitative financial codification of the world operated in the previous phase is made quantitative. Through the production of figures and models, these new objects become investible and the risks and returns that the investments imply are calculated and communicated. 'This creation of visibility lends credibility to the theory that they are worthy of investment, and also means they can be included in reports, calculation of optimisations and investment decisions' (Chiapello, 2018: 194). This phase is usually led by specialists in the specific financializing sectors (in the case of Welfare State policies, they may be social workers representatives and/or sociologists, psychologists and anthropologists specialized in social policies).
3. *Structuration of monetary flows*: at this stage, legal and financial expertise are mobilized to transform legal and regulatory frameworks and build contracts and circuits allowing capital investment, circulation and remuneration. This happens through the creation of investment vehicles,

the creation of returns through a variety of regulatory and economic instruments, the lowering of investors' risks in order to attract them and the creation of liquidity (Chiapello, 2018).

To put it simply, we have *strong* financialization when all of these phases are well developed, while we have *weak* financialization when financial discourses and values emerge and are complemented by the construction of new technical tools and methodologies for the measurement and evaluation but do not produce relevant monetary flows. However, as Chiapello concludes, 'a weak level of financialisation can also be considered as the first step towards much greater financialisation as the innovations tried out become more common and the new financial circuits become better established' and 'the progress or otherwise of financialisation depends on the issues, the national spaces, the channels used and the resistance triggered by these projects' (Chiapello, 2018: 200).

While this analytical perspective perfectly captures *the making of financialization*, it also opens new questions and problems. In particular, it allows to appreciate the fact that the 'work of financialization' is caught in a paradox, since it entails – at the same time – a growing degree of abstraction and a growing degree of embeddedness. As matter of fact, *making assets and liabilities* and *structuring monetary flows* are based on the autonomization of monetary flows from the financialized objects and, at the very same moment, they need to be embedded into deeply local and specific political and institutionalized relations and processes. As Williams puts it in his empirical research on SIBs implementation and 'the SIB economy' in the UK, the USA and Canada, different national contexts show very different patterns and challenges in terms of implementation, but they also share a common

tension between the 'financial' and the 'local'; between the logics of standardization, scale and risk and the local, contingent, and contextual nature of urban social problems; and between the interests, worldviews, and even language of investors and SIB practitioners as urban elites and those of government and providers as local actors struggling to deliver social services. (Williams, 2020: 2)

This suggests that, in order to give an overview of a national case, Chiapello's socio-technical perspective (showing the specific features of the three groups of operations leading from *weak* to *strong* financialization) can usefully be integrated by approaches that focus on political-institutional dimensions involved in the phase of implementation, therefore shedding light on the processes of label creation of SII. In order to do so, I will refer to the *fast policy regime* literature (Peck and Theodore, 2012, 2015) which focuses on the processes of policy mobility and on the issue of

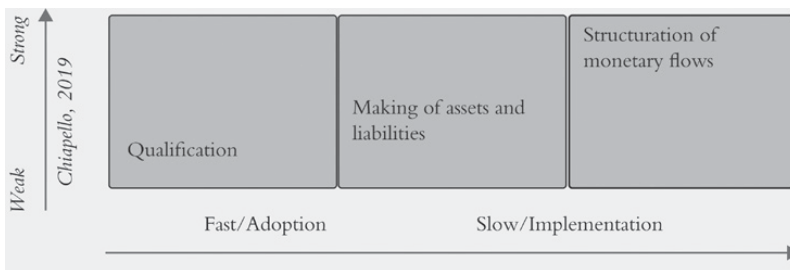
policy temporalities. This approach moves from a conception of policy making as ‘socially structured and discursively constituted space, marked by institutional heterogeneity and contending forces’. Policy actors and actions are, therefore, ‘understood to be politically mediated and sociologically complex’, and ‘policy designs, technologies and frames’ are to be regarded as ‘complex and evolving social constructions rather than as concretely fixed objects’ (Theodore and Peck, 2012: 23). Consistently with these premises, Peck and Theodore focus their attention both on the global circulation and on the national/local adaptations to which policies are subject in the context of an increasingly globalized system of policy making. In doing so, they show the conflicts and (radical) transformations that two widespread policies such as Conditional Cash Transfer and Participative Budgeting have gone through in their circulation between Global North and Global South due to specific political and institutional contexts. This combination of circulation and appropriation has become the focus of the literature on the *multiple temporalities* of policy mobility (Wood, 2015; Robinson, 2015). Following Grimwood et al (2021), by multiple temporalities I refer to the fact that ‘both fast and slow movement is involved in the mobilisation of transnationally circulating policies’ (p 123). In their analysis of SII in New Zealand in the period 2010–17, Grimwood and colleagues (2021: 133–6) focus on the articulation of these two phases. First, a relatively *fast* adoption of the idea of employing SIBs as a policy tool, ‘facilitated both by policy actors working within transnational networks and the local interests and conditions with which they intersected, including other policy actors and the political, institutional and ideological context’ (p 130). This phase recalls the first two phases of Chiapello’s work of financialization (*qualification* and, partly, *making of assets and liabilities*). Second, a much *slower* process of implementation, resulting from national and local ‘political realities and institutional barriers’ (Grimwood et al, 2021: 124). In Chiapello’s terms, implementation can be considered as the moment in which *monetary flows are structured* and the shift from weak to strong forms of financialization occurs. With the aim of stressing the relevance of the political-institutional dimension for the success of the complex legislative and regulative process that the structuration of monetary flows require, Grimwood et al provide a detailed account of ‘the mire of SIB implementation’. In particular, they outline the contrast between the relatively long temporality of the political process needed for supporting the creation and implementation of a SIB and the relatively short temporality of political cycles and leaderships. A ministry ending his/her mandate, the unforeseen need to engage a new, critical stakeholder, the change in the perception of political viability of the programme by newly elected politicians and bureaucrats involved: all these factors can easily slow down, or even cause the failure of, the implementation of a project that was, in the first place, rapidly and

successfully announced and launched. In a similar vein, [Golka's \(2023\)](#) work on SII and financialization of the Welfare State in the UK focuses on the role of both financial and non-financial actors' agency in the success or failure of the SII project. Financial intermediaries' discursive strategies played a crucial role in building a strategic partnership with NPOs but, as they built upon deeply contrasting interests and deceit, this partnership was very fragile and finally broke up, hence causing the substantial failure of the whole financial and political project developed around SII.

To summarize, at the theoretical level, the chapter aims at looking at labelling dynamics by combining Chiapello's socio-technical approach and the policy literature on multiple temporalities of policy circulation. The analysis of 'the work of financialization' ([Chiapello, 2018](#)) allows us to take a close look at the technical operations needed for *financializing* a certain social space and to give a synthetic evaluation of its 'state of advancement'. At the same time, it allows us to grasp the process in the making and suggests looking at the development of the three stages of this work in processual terms, paying attention to the local conditions of implementation. This is where the literature on the different temporalities of policy circulation can offer specific insights, articulating the fast and slow dimensions of the process and accounting for the complex political and institutional influence over the transition from weak, mainly discursive, to strong financialization based on clearly structured and identifiable monetary flows (see [Figure 6.1](#)).

In order to use the combination of these two theoretical approaches for empirical analysis, it is necessary to identify the most relevant dimensions of analysis that allow us to account for both the intensity (strong/weak) and the multiple temporality (fast/slow) of the process. This is what I will do in the next section, building upon a literature review of the debate on SII in Italy.

Figure 6.1: Combination of socio-technical and institutional perspectives on financialization (author's own elaboration based on [Chiapello \(2018\)](#) and [Grimwood et al \(2022\)](#))



Source: [Peck and Theodore, 2015](#); [Robinson, 2015](#); [Wood, 2015](#); [Grimwood et al, 2021](#)

SII in Italy: a state of the art

The present section opens with a discussion of the scientific literature that in the last ten years has tried to shed light on the formation of an SII ecosystem in Italy, focusing particularly on its consequences for the national welfare system.

A great amount of literature examining the Italian case is developed in the fields of economics and management studies, where it is also possible to find the greatest number of SII advocates, playing the ambivalent roles of researchers, consultants and policy entrepreneurs at the same time (Caselli, 2020), but a growing number of contributions from sociology is enriching the debate. Overall, three issues are dominant in this literature.

First, the analyses move from an undisputed reference to the *fiscal crisis of the state*, and therefore stress its inability to respond to growing social needs (from pensions to social assistance) and the subsequent need that governments have to attract private capital to contribute to the social good. Both SII advocates and critics tend to agree on the fact that this is the main driver and legitimating factor for the growing influence of financial actors on public policies.

Second, the literature emphasizes the *ambivalence of the presence of a strong non-profit sector* for the development of SII. On the one hand, it is a long-standing example of private initiatives producing public good and it also represents a great potential demand for impact capital. On the other hand, for the same reasons, it might hinder the development of SII in the name of maintaining the current forms of collaboration between public and private institutions, therefore opposing the innovations advanced by SII, especially those led by for-profit financial actors and logics. Bengo and Calderini (2016), for example, have stressed the need to take into account (and find strategies for overcoming) the cultural and ideological barriers to SII within the non-profit sector. Consistent with this, the authors, who are strongly involved in the process as advocates and promoters of SII (Mario Calderini, professor at Politecnico di Milano, as we shall see below, being one of the members of the Italian delegation at the G8 TF and later involved in the most relevant scientific and policy initiatives for the promotion of SII) also pointed to two fundamental weaknesses of the Italian context: (a) on the demand side, the third sector organizations' investment non-readiness in terms of service scalability, managerial skills and business models; and (b) on the supply side, the lack of public commitment on the financial level, due to public budget regulation and austerity. In a similar perspective, the Yunus Center for Social Business at the University of Bologna recalls both the great 'potential' offered to SII by the non-profit sector and its low financial attractivity due to its democratic governance, the impossibility to distribute profits to shareholders and the

connected difficulty of building *exit strategies* for investors (Bandini and Pallara, 2021).

On a more empirical level, the complexity of the collaboration between investors and non-profit organizations (NPOs) also emerges from the research carried out by Gambardella and Lumino (2019) on the attempts to develop SIBs in Italy. On the one hand, the authors stress the partial and misleading use of the rhetoric of SII at the expense of more systematic and accurate discussions of its risks and opportunities while, on the other hand, they insist on the crucial role that public and non-profit actors can play both in legitimizing SII and in the promotion of transparent and democratic implementation of SII programmes. The same complexity is highlighted by the analysis of the formation of a distinct national ‘social impact expertise’ developed by Caselli (2020), who shows the tensions and conflicts that it entails and the intricate relations that structure Welfare State services and welfare expertise in the post-crisis, austerity-ridden Italy.

Third, research also highlighted *the crucial role that banks play in the Italian financial sector*, compared to other ‘more innovative’ actors such as asset management companies, security brokerage companies, venture capital and private debt (Bandini and Pallara, 2021). This would explain the features of the Italian impact investing ecosystem at the beginning of the 2010s: while debt tools were quite developed (with mature-stage traditional, cooperative and micro credit), equity tools were very weak, with only few experiences of venture philanthropy and social impact funds (G8 SII Task Force, Italian Advisory Board, 2014). This bank-centrism of the Italian financial sector contributed to giving a fundamental role to Foundations of Banking Origins (FBOs) in the Italian SII landscape. Founded in the early 1990s as a means to privatize the national banking system, FBOs received from the government the shares of the former public banks and the mission to sell them on the market (Law 218/1990). At the same time, they were (and still are) forced by the Law to grant the profits gained from the management of this capital to non-profit projects and organizations devoted to cultural, scientific and social activities in the geographical areas where the banks were based. Thus, in the last 30 years, FBOs have become key funders of the non-profit sector. Moreover, it is important to recall that shareholding of privatized banks remains a key asset for FBOs, which are often controlling shareholders and therefore play a major role in the national and international credit system. Finally, to make the picture even more complex is the fact that although FBOs are private organizations, their governance is based on the collaboration between public (mainly tied to the municipal and regional political system) and private (religious, economic, cultural) actors. The relevance of banks and FBOs is emphasized, from a comparative political economy perspective, also by Ciarini (2018, 2019), who identifies the Italian ‘bank-centrism’ as the distinctive feature of the Italian SII ecosystem compared to the British

and French cases. According to Ciarini, this results in the fact that structural ‘pressures toward financialization are not mediated by the state, as in France, nor by a combined action by the state and a wide range of financial actors, as in the UK. Instead, they are mainly mediated by a bank-centered ecosystem deeply rooted in local contexts’ (Ciarini, 2019: 17).

Keeping the focus on FBOs’ activities, Caselli and Rucco (2018) put the analysis of the Italian context in dialogue with the critical international debate on SII, highlighting the tendency of SII to push the marketization of social and individual well-being in Italy forward. More specifically, they show their role both in the experimentation of ‘traditional’ SII tools such as SIBs (discussed later in the chapter) and in the relabelling of existing initiatives, such as the Real Estate Mutual Investment Funds for Social Housing (Belotti, 2023) launched in 2009 and relabelled in 2017 by the European Parliament as ‘one of the greatest SII experiences worldwide’ (Fondazione Cariplo, 2017).

Overall, the literature on SII in Italy agrees, although from different perspectives, on the idea that, a decade after the launch of the Social Impact Investing Task Force by the G8, the impact of SII on Italian public policies, welfare policies especially, is weak.

Based on this literature review on the national case, and building on the theoretical approach presented in the previous section, I will develop my analysis with a double focus: on the one hand, I will account for the fast circulation and adoption of SII concepts and language in the public and political debate by focusing on the action and role of the network of expertise that has emerged from the G8 Task Force on SII. On the other hand, I will explore the specificity of the Italian ‘mire of implementation’ of SII initiatives, paying specific attention to the political and institutional dynamics and the role played by FBOs.

SII in Italy 2013–23: three phases

Given this overview of the debate on the Italian national case, in the next pages I identify three different phases starting from the works of the G8 Task Force on Social Impact Investing in 2013 (see Figure 6.1). The first (2013–16) can be qualified as a ‘*fast policy*’ one, in which the issue of SII has been introduced in the debate, the links between international and national experts and administrative and political actors have been established – and result in a proper pro-SII coalition – and the first regulatory interventions have been implemented. Here, the process is focused on the first phase of Chiapello’s *work of financialization*: the discursive and ideological moment, namely *qualification*, with some important efforts in terms of *making of assets and liabilities* that make discourses and ideological constructs tangible. The second phase (2017–19) is a rather ‘slow’ period, characterized on the one

hand by the translation into practice of the regulations elaborated in the previous phase, and, on the other hand, by further regulatory and political activity by the national government. This is the phase where institutional and historical-contextual constraints play a more substantial role, both in terms of formal regulation and political orientations, and the ongoing work of qualification is integrated by SII coalition's effort to *make assets and liabilities* and *structure monetary flows*. Finally, a third phase, from 2020 onwards, witnesses the continuity of slow processes, with some significant results in terms of implementation of new concrete initiatives by the national and local public administrations.

2013–16: Great expectations and the 'landing' of a new policy

In this period, the work of the G8 Task Force (G8TF) on SII plays a crucial role. In September 2014, the Italian advisory board of the task force released a final report ('La finanza che include', meaning 'inclusive finance'); the document introduces the SII approach in the Italian context, presenting its general features and emphasizing the necessity for governments to 'adapt national ecosystems to support impact investment' and to 'support the demand-side' (non-profit and for-profit organizations) to attract investments. At the top of the recommendations for 'favouring the match of impact capital supply and demand' was the elaboration and adoption of metrics for impact measurement that could streamline 'Pay-for-success (PFS) arrangements', that is, privately funded programmes that subordinate the repayment and remuneration of the invested capital to the success of the funded programme. Moreover, the report encouraged the implementation of 'capacity-building grant programs' in order to 'boost social sector organizational capacity' for attracting and managing venture capital ([G8 Task Force SII, Italian Advisory Board, 2014](#)).

The G8TF contributed to the formation of a new network of expertise, since the three representatives of the national advisory board – two academic professors and a former minister and centre-left wing politician – engaged in important initiatives to build a coalition to lobby national and local authorities and to produce scientific evidence in support of its activity ([Caselli, 2020](#)). Beside the lobbying activity, a short overview of the action carried out at the national level by two of them offers an idea of their importance in the decade that followed the publication of the G8TF report. In 2012, Giovanna Melandri, former MP (1994–2012), Minister of Culture (1998–2001) and member of the Partito Democratico, founded Human Foundation, the 'think-and-do tank for social innovation' that played an important role in the *qualification* of SII in Italy, promoting public debate, organizing trainings in the field of impact management and impact evaluation for professionals in the fields of welfare and finance. The

foundation also promoted experimentation of financial and management tools that contributed to *tangibilize* financialization, such as carrying out lobbying activity at the local and national levels, realizing impact evaluation, piloting projects and feasibility studies for SII projects. Mario Calderini, mechanical engineer and economist, is Professor of Social Innovation at the Polytechnic universities of Turin and Milan. In 2016 he founded the Tiresia research centre at the Polytechnic of Milan, which became a reference point for researchers and practitioners in the field (Tiresia, 2018, 2019). Moreover, he covered a number of other important roles at the intersection between the fields of academic research, policy entrepreneurship and policy consultancy (see later).

In these years, his research activity is also supported by the Ministry of Education and University, which grants €1 million to two research projects focused on how to develop impact investing (responding to a bid named ‘Social Impact Investing: a network for research’ aimed at ‘developing models of financial innovation for responding to social needs’) led by Professor Calderini (Politecnico di Milano) and the third member of the G8TF Italian advisory board, Professor Mario La Torre (Sapienza, Università di Roma).

In the immediate aftermath of the G8TF, its members also promoted the formation of a wide support coalition advocating for SII, composed by financial and legal consultants with strong links to the SII academic and policy community, private banks and foundations, FBOs, social cooperatives consortia, and members of parliament. In January 2016, this coalition founded an association named ‘Social Impact Agenda for Italy’, taking up the role of the former G8 national advisory board, with the aim of ‘spreading the experience of social impact investing’ and ‘aggregat[ing] all the actors involved in the challenge of SII’ (Social Impact Agenda, 2016).

If the formation and the activity of a distinct SII expertise represents a notable advancement in the work of *qualification* and, partially, *tangibilization* of financialization, the political conjuncture allowed also for some relevant regulative intervention in the direction of *structuring monetary flows*. After a phase of political turmoil in the years 2011–13, the years from 2014 to 2016 are marked by a significant stability of the national government, supported by a coalition of centre-left and centre-right parties and led by the Democratic Party leader Matteo Renzi. Renzi’s agenda was based on subverting traditional political cleavages and ‘renovating’ the identity and strategy of Partito Democratico. In the words of a political scientist who advised the Renzi government on social reforms, it had a ‘deliberate coalition building strategy, that of mustering a “bloc bourgeois”’ (Amable and Palombarini, 2014); a political project aimed at gathering common interests for neo-liberal and market-oriented reforms that are often dispersed among different

social categories ... aimed at reducing discretionary state intervention in the economic system' (Sacchi, 2018: 40). Within this strategy, the support to the non-profit sector and the impulse to its 'evolution' are key stakes, as the prime minister made clear from his first day in office, announcing a strong support to the non-profit sector with the captivating phrase, 'We wrongly name it *third sector*, but it actually is the first sector for its numbers and relevance'.¹ A few months later, Renzi announced an ambitious reform of the sector during the Voluntary Work Festival: 'Are you ready to put yourself in the game and recognize that a large part of our Third Sector needs to change its mindset?' he asked a very favourable audience.² As a result of this vision, a reform of the sector was launched in 2014, aimed at harmonizing the different regulations on the issue and pushing for an entrepreneurial turn which could make NPOs less dependent on public funding. After a debate in which the G8 national advisory board expressed full support to the draft published by the government (G8 Task Force SII, Italian Advisory Board, 2014: 12), the reform was finally adopted in 2016 (Law 106/2016, 'Reform of the Non-Profit Sector'). Among the pillars of the Law, we find the promotion of the hybridization between for-profit and non-profit with the goal of making the latter more attractive for private investors. In particular, two norms fitted very well with the SII agenda: (1) the introduction of social impact measurement as a key element for the legal recognition of social enterprises, contributing to the *making of assets and liabilities*. The Law offered a general definition of social impact as 'the quantitative and qualitative evaluation of the short-, medium-, and long-term effects of the [organizations'] activities on communities, with respect to an explicit goal' (Art. 7); thus, it made social impact measurement an important element in the evolution of the Italian non-profit sector (Polizzi and Vitale, 2018). And (2) the creation of a 'low profit' regime for NPOs, allowing partial remuneration of invested capital (Art. 4), contributing to *structuring monetary flows*.

In the same direction, in the years 2014–16 the first attempt to develop an SIB in Italy took place in the field of environmental sustainability, based on the collaboration between the public administrations at the local level, a private bank specialized in debt products for NPOs and a group of social cooperatives. The experiment failed due to a combination of financial and political issues (Gambardella and Lumino, 2019).

¹ <https://archivio.quirinale.it/aspr/audiovideo/AV-001-001418/presidente/giorgio-napolitano/il-presidente-del-consiglio-incaricato-comunica-lista-ministri-del-nuovo-governo>

² www.vita.it/renzi-il-terzo-settore-e-un-pezzo-della-scommessa-educativa-economica-e-culturale-del-paese/

2017–18: The landing of a mobile policy

The second phase (2017–18) is characterized by a different political-institutional conjuncture since, after the fall of the Renzi government at the end of 2016, a new government, supported by the same coalition took office, led by the Democratic MP Claudio Gentiloni. Despite a far more traditional political and institutional style, the new government (December 2016–May 2018) continued along the path traced by Renzi on some key issues regarding the non-profit sector and SII, although with less political enthusiasm and emphasis. More specifically, it is involved in three important initiatives aimed at supporting the development of assets and liabilities and the structuration of monetary flows.

First, with regards to the regulation of the non-profit sector, in March 2017, the Ministry of Work and Social Policy appointed a special Commission for specifying the general formulation of ‘social impact measurement’ included in Law 106/2016. After a lot of work, the Commission guidelines were approved by the parliament (July 2019), defining a new impact measurement tool, named VIS (Valutazione Impatto Sociale). VIS was meant as a tool for NPOs’ self-evaluation and accountability and, as such, it was fiercely criticized by SII proponents who argued it was unfit to develop a real culture of accountability in the non-profit sector and to favour the penetration of SII into national public policy. The establishment of VIS was therefore a contradictory step in the implementation of SII in the wide SII-supporting coalition: on the one hand, it represented the institutionalization of impact measurement as a key tool for the non-profit sector, but on the other hand it did not offer a useful tool for the SII ecosystem evolution. This also marked a fracture in the SII-supporting coalition, signalling divergent interests between the different actors of the welfare mix: while most of the established NPOs, especially small association and social cooperatives, remained focused on relatively traditional forms of public-private partnerships that had been institutionalized in the 2000s (based on public grants and output-based contracts) and appreciated VIS as self-evaluation, the most market-oriented area of the non-profit sector, pushing for SII experimentation and institutionalization, depicted VIS as a deceptive and conservative tool (Caselli, 2020).

Second, in December 2017, a new initiative was launched by the national government, as a result of the strong lobbying activity of SII proponents, establishing a €25 million ‘Outcome fund’. The fund was aimed at supporting a *capacity-building* programme for municipal administrations on the basic principles and techniques of SII and PFS programmes, and at conducting feasibility studies and eventually setting up SII projects. In order to realize this programme, the government established the Fund for Social Innovation (FIS) at the Department of Public Administration; a special fund circumventing the national budgeting regulations hindering the use of the PFS mechanism.

Later on, in 2019, the Fund launched a call for proposals inviting the largest municipalities (Città Metropolitana) to present preliminary projects to be developed through feasibility studies. The call received 79 proposals and selected 21 of them, granting up to €150,000 to each one for the realization of the Feasibility Study (Intervento I), up to €450,000 for the realization of the project (Intervento II) and up to €1 million for the continuation and scaling of the project (Intervento III). Each phase could not exceed the duration of one year. The former G8TF members' lobbying and training activity plays an important role in this initiative, so much so that the Permanent Committee for evaluation and monitoring of FIS established by the Ministry of Public Administration is chaired by the already mentioned Professor Mario Calderini.

Third, Public Administration was strongly involved also in the third initiative, with the launch, in March 2017, of the second attempt to develop a SIB, with the publication of the Feasibility Study for a SIB focused on the prevention of carceral recidivism. The study was carried out by Fondazione CRT (an FBO), KPMG, Politecnico di Milano and Human Foundation, in collaboration with the Ministry of Justice ([Human Foundation, 2017](#)).

Taken together, these important regulative interventions met the G8TF recommendations aimed at 'favouring the match between impact capital supply and demand' and seemed to open the way to stronger developments of SII at the national level.

In these same years, the Italian context is also characterized by another development in the field of SII, namely the development of impact investment funds for the development of 'social impact-oriented' enterprises. In particular, in November 2017, Cassa Depositi e Prestiti (Postal Savings and Loans, CDP) and the European Investment Fund launched the platform 'Social Impact Italia' consisting in €100 million to be invested both directly in specialized financial intermediaries and indirectly in shares of impact investing funds ([Cassa Depositi e Prestiti, 2017](#)). This brings the role of banks and FBOs back into the analysis since, in this phase, the biggest ten FBOs started investing in SII programmes both directly and through their participation in investment funds and VP foundations; the great majority of these investments are directed to national and local public-private social housing investment funds ([Forum Finanza Sostenibile, 2020](#)).

2019–23: The mire of implementation

The third phase starts with the 2018 general election and is marked by the action of two different governments (supported by two very different coalitions), carrying quite different political agendas compared to Renzi's and Gentiloni's and based on a strong and largely contradictory pledge to the 'return of the state' ([Brown, 2019](#); [Gerbaudo, 2021](#)) in the realm of

welfare. More specifically, from 2018 onwards, the political discourse has been centred on public programmes to fight poverty and on the reform of the pension system, with a strong discursive emphasis on the need for strong social protection by the state. The COVID-19 pandemic further strengthened this trend, and SII seemed to vanish from the policy discourse. The 2022 general election, won by a right-wing coalition, does not seem to change these political orientations.

From 2019 onwards, no new initiative has been promoted but existing initiatives started to show their actual consequences (or their failure). As for the SIB launched in 2017, it never went beyond the Feasibility Study, without any public information available on the reasons that led to its failure. As for the FIS programme, a number of PFS programmes have been developed at the municipal scale, directed to different publics and based on different financial tools. In particular, we can see the co-existence of ‘pure’ SII tools such as SIBs, microfinance, Social Impact Incentives, Social Impact Project Funds, Outcome Funds (amounting to 47 per cent of the total capital raised) with other, less impact-oriented tools such as Crowdfunding (21 per cent) and Social Lending (10 per cent). As for investors, we find a marginal role of foundations (12 per cent) and a major role of banks (57 per cent) and the Società di Gestione del Risparmio (an asset management company) (22 per cent). The projects are currently (January 2024) under development (Intervento II), delayed because of the COVID-19 pandemics.

Tentative conclusions and directions for future research

The chapter focused on the labelling of SII in Italy by looking at the actors that seized and promoted it and at the contradictory results, successes and failures of their efforts. For this purpose, I tried to answer two intertwined questions about the development of SII in Italy in the last decade: the first dealing with its intensity and the second dealing with its temporality. As a complex process that can entail different degrees of development and different layers (discourses, monetary flows, and so on), the financialization induced by SII can be strong or weak ([Chiapello, 2018](#)). At the same time, as part of an increasingly global and interconnected *fast policy regime* ([Peck and Theodore, 2015](#)), it takes shape through a complex and frictional combination of international circulation and local embedding ([Williams, 2020](#)). While circulation tends to be fast and to cut across spaces through the work of financial *qualification* developed by internationally embedded networks of expertise, the work of *making assets and liabilities* and *structuring monetary flows* that make ‘strong’ financialization possible is a slower and more contradictory process; a ‘mire’ depending on a greater variety of political and institutional elements ([Grimwood et al, 2021](#)).

This theoretical move allows, on the empirical ground, to offer a synthetic but articulated account of the experience of SII in Italy, taking into consideration the role of the national and international SII networks of expertise and the role of institutional and political factors.

The analysis has shown that the network of expertise that emerged from the work of the G8TF has successfully and rapidly grown and promoted financial *qualification* by producing a strong public discourse for the legitimization of SII. It also built a relevant supporting coalition that made SII part of the political response to the impending crisis of the national Welfare State system. Its efforts aligned quite well with the political strategy of the Renzi and (partially) Gentiloni governments (2014–19), that considered both established and ‘innovative’ partnerships with the non-profit and the for-profit sectors as part of the effort to ‘modernize’ the Italian welfare system. In this phase, national governments took effective action for supporting the shift from weak, purely discursive, financialization to strong forms of financialization where discourses are made tangible and monetary flows are structured.

From 2018, anyway, SII promoters’ efforts were weakened by the fragmentation of the coalition (as in the case of the social impact measure elaborated by the Commission appointed by the government) and, above all, by the changing political conditions following the 2018 general elections. The new political conjuncture saw a shift in the political agenda from the centrality of NPOs and public-private partnerships to the contradictory pledge to the ‘return of the state’ and the focus on policy issues regarding a universal protection scheme against poverty and the pension system reform.

Overall, ‘the mire of implementation’ prevailed, while the ideological consensus on SII as an opportunity for reforming the national Welfare State system seems now lost. Whether this ‘neo-statist’ phase will be another form of ‘failing forward’ (Peck et al, 2010) of neoliberalism eventually opening the road to the labelling of new disruptive, financialized forms of public action, is a question that remains open.

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Balancing Risks and Outcomes in Colombia's First Social Impact Bond: *Empleando Futuro*

Natalia Gómez Muñoz

In the last decade, Social Impact Bonds emerged as financial, welfare and development instruments designed as alternative funding for social projects. Through them, a commissioner (usually a government), which may be budget constrained, may want to achieve greater efficiency, or may want to explore innovative solutions without risking its own resources, enters a partnership with private investors for the delivery of social services (McHugh et al, 2013; Bergfeld et al, 2016; Chiapello and Knoll, 2020; Tan et al, 2021). Investors provide upfront capital to fund specific social interventions, intermediary organizations manage the implementation, service providers deliver the interventions, while commissioners only pay if predetermined measurable outcomes are achieved.

Both in development and impact finance fields, Social Impact Bonds have been promoted for their ability to attract private capital for the resolution of social problems (McHugh et al, 2013; Fraser et al, 2016; Alenda-Demoutiez, 2019) and to promote efficient public spending by outsourcing social services and relying on investors (FitzGerald et al, 2023), ensuring commissioners pay solely for verified outcomes (Bergfeld et al, 2016; FitzGerald et al, 2023; Instiglio, 2023). Due to these characteristics, Social Impact Bonds have commonly been described as 'win-win' instruments, as they are designed to enhance cost-effectiveness in government operations while providing investors an additional avenue for profit (McHugh et al, 2013; Alenda-Demoutiez, 2019; Chiapello and Knoll, 2020).

Yet Social Impact Bonds have been criticized for embracing a neoliberal rationale for handling social problems, emphasizing limited government

participation, and relying on private sector solutions and market-based mechanisms to address social problems (Cooper et al, 2016). As prominent examples of the broader phenomenon of financialization of social development and policy, Social Impact Bonds have also faced criticism for framing social problems as investment opportunities, introducing market logics, and promoting market-based solutions into traditionally public and non-profit domains (Nicholls and Emerson, 2015; Chiapello and Knoll, 2020); for placing too much emphasis on attracting private investors and ensuring their interests align with social outcomes (Del Giudice and Migliavacca, 2019; Carè et al, 2020), and for relying on quantitative performance metrics and outcome measurements to assess the success or failure of social programmes (Cooper et al, 2016; Sinclair et al, 2021). Scholars agree that these instruments have tended to oversimplify social problems, often overlooking or excluding comprehensive approaches for understanding and dealing with them (Chiapello and Knoll, 2020; Tse and Warner, 2020; Chiapello, 2023), in favour of simple, easily measurable and short-term solutions that mostly incentivize and broaden investment horizons for the finance sector (McHugh et al, 2013; Sinclair et al, 2021).

In this chapter, I contribute to this ongoing debate and to this book's broader examination of how impact investing is translated into concrete practices across different contexts, focusing on how the different actors involved in Colombia's first Social Impact Bond, *Empleando Futuro*, navigate and manage risks. *Empleando Futuro* aimed to address unemployment by providing job training and facilitating formal job placements for selected participants. It operated by channelling funds from private investors to non-governmental organizations (NGOs) and social enterprises implementing employment initiatives expecting clear, measurable outcomes. These outcomes included the successful placement and retention of at least 766 individuals in formal employment (Chaparro et al, 2020).

Empleando Futuro garnered recognition as the first of its kind in Latin America and was deemed successful after two years of implementation, thanks to achieving and surpassing its expected outcomes (SIBs.Co, 2023). Despite this prominence and reported positive results, the existing body of research on this initiative has been limited, predominantly originating from internal programme sources and performance evaluations. To date, the only scholarly reference point for this case study is Pellizzari and Muniesa's (2023) comparative analysis of Social Impact Bonds in Colombia, Chile and France which provided some insights into how practitioners develop context-specific 'tactics of feasibility' to demonstrate these instruments can work. In Colombia, where Social Impact Bonds were promoted primarily for budget efficiency and growing the social investment market, this narrow focus shaped how practitioners designed and implemented the bonds.

Through ethnographic engagement with actors across the spectrum of *Empleando Futuro* – from investors and government officials to intermediaries, service providers and beneficiaries – my research provides empirical evidence of how Pellizzari and Muniesa's identified institutional emphasis on proving Social Impact Bonds' viability translated into specific practices in the Colombian context. Specifically, I reflect on the interplay between financial debt, associated risks and the social outcomes of *Empleando Futuro*, to explain how the interactions within its contractual actors were conducted and how they, often driven by distinct agendas, navigated and prioritized risks, shaping social service delivery, with lived consequences for its targeted beneficiaries.

Above all, I highlight the roles of intermediaries, examining their risk-mitigation strategies. While all contractual actors in *Empleando Futuro* faced and managed different types of risks, the intermediaries' position was unique – they had to simultaneously handle financial risks (concerning investor returns), programmatic risks (related to implementation) and impact risks (regarding social outcomes). Drawing on financial anthropology's understanding of risk as a foundational element of financial proficiency (Zaloom, 2004; Ortiz, 2013; Tripathy, 2017), I analyse how they engaged with risk mostly with a sense of responsibility towards investors, in ways that shaped both the bond's financial outcomes and its broader socio-economic ramifications. While scholars have already established that Social Impact Bonds tend to prioritize financial goals (Del Giudice and Migliavacca, 2019; Carè et al, 2020), my analysis emphasizes the intermediaries' roles in this prioritization and how they come to define the very nature of social provision under the Social Impact Bond model, casting doubt on the fundamental promise of Social Impact Bonds to simultaneously benefit investors, commissioners and society.

Methodologically, I draw upon ethnographic observations and interviews, conducted as part of my doctoral research on the participants' experiences in the Social Impact Bond *Empleando Futuro*. This research required extensive documentation on the legal and policy framework for the provision of employment-focused services in Colombia, as well as on the structure of the Colombian Social Impact Bonds programme, SIBs.CO. Then, between 2021 and 2023, I conducted 22 interviews with representatives from commissioner entities, intermediary agencies, investors and service providers involved in *Empleando Futuro*. These interviews took place across multiple locations: in Bern (Switzerland), where the Swiss Economic Cooperation Agency (SECO), the primary supporter of this Social Impact Bond, is based; in Bogota (Colombia), one of the locations where the employment projects were implemented; and in Cartagena (Colombia) and Rio de Janeiro (Brazil), where regional meetings of impact investors took place in 2022 and 2023. The interviews were open-ended, with questions associated with each person's specific roles within the programme SIBs.CO and *Empleando*

Futuro, their personal experiences during implementation, as well as questions about the structuring, risk-management strategies and evaluation metrics, critical aspects in the understanding of the practical characteristics of risk and the real-world implications of this Social Impact Bond.

Understanding risk in Social Impact Bonds

Various types of risks influence the implementation and outcomes of Social Impact Bonds. Financial risk, programmatic risk and impact risk represent the three primary categories of risk in this context. First, financial risk relates to the contingent conditions of repayment to investors (Burand, 2013; Schinckus, 2017). Second, programmatic, performance and execution risk, centres on the feasibility of the design of the social intervention to be implemented, the risk of intervention failure, and the risk of the intervention deviating from the design during execution (Carè, 2018). Third, impact or social risk considers the possibility of not achieving expected social outcomes (Edmiston and Nicholls, 2018; Scognamiglio et al, 2018).

Further Social Impact Bond scholars have described additional forms of risks, such as intermediary risk (Scognamiglio et al, 2019), operational risk (Rizzello et al, 2018), political risk (Burand, 2013), reputational risk (Ng et al, 2015), intervention model risk (Burand, 2013), evaluation risk (Rizzello et al, 2018; Carè and De Lisa, 2019), regulatory or policy risk (TeKolste et al, 2016), among others. Nevertheless, these can be broadly categorized within the primary groups of financial, programmatic and impact risks. For instance, political risk, such as shifts in government priorities, budget allocations, or regulations (Burand, 2013) can be analysed as an aspect of programmatic risk, as it fundamentally affects programme implementation.

Various derisking strategies for mitigating potential challenges within Social Impact Bonds have been described in specialized literature on these instruments. These include clear project planning, that outlines contingencies for unexpected setbacks and implements robust monitoring and evaluation mechanisms to track project progress in real-time (Scognamiglio et al, 2019); advocacy for maintaining policies that promote their success, such as offering guarantees for commissioner repayments (TeKolste et al, 2016); collaboration frameworks that ensure all stakeholders, including commissioners, investors, intermediaries and service providers, are fully committed to the project's success and aligned with its goals (Brennan et al, 2017); and the development of standardized metrics and methodologies for assessing and interpreting risks, making it easier for all parties to understand and manage risks effectively (Scognamiglio et al, 2018; Rania et al, 2020).

Nonetheless, as Social Impact Bonds have struggled to attract institutional investors such as banks and insurance companies, scholars have attributed this limited interest to two main factors: investors find the risk-management

tools inadequate and view the contractual relationships between multiple actors as too complex (Del Giudice and Migliavacca, 2019; Chiapello and Knoll, 2020). To address these concerns and the hesitations of potential investors, Social Impact Bond experts have recommended the development of further incentive strategies, such as offering higher returns, the involvement of capable and knowledgeable public authorities, and the participation of fewer co-commissioners (Del Giudice and Migliavacca, 2019). Likewise, standardized outcome measurement, implementation frameworks, models and strategies for anticipating and measuring risks have been advanced as ideal practices that could potentially boost investors' confidence by offering clearer risk interpretation (Scognamiglio et al, 2018; Rania et al, 2020). Still, beyond the impact investment sphere, Social Impact Bonds continue to struggle to attract substantial investments (Chiapello, 2023).

In critical studies addressing the distribution of risks in Social Impact Bonds, scholars have questioned the common narrative praising these instruments for transferring risk of social intervention non-performance from commissioners to investors, where repayment hinges on demonstrated measurable results. Contrary to this view, empirical evidence suggests that investors have often faced little risk of default, as these instruments effectively redistribute this risk by transferring it to the service providers themselves (Edmiston and Nicholls, 2018) and by relying on support from philanthropic grants and first-loss capital that provide guarantees to protect private investors from potential losses (FitzGerald et al, 2023).

The promise of risk transfer in Social Impact Bonds has been further undermined by the significant administrative burden placed on commissioners engaging in these instruments, who have faced unexpectedly high costs (Tan et al, 2021). These include expenses related to project management, legal fees, data collection, external evaluations and contract management, which often escalate, impacting the overall cost-effectiveness and representing supplementary forms of financial risk that remain with commissioners rather than being transferred to investors, as the conventional structure of Social Impact Bonds suggests (McHugh et al, 2013; Sinclair et al, 2021).

These critiques of risk management and transfer in Social Impact Bonds provide an initial framework for analysing *Empleando Futuro*, Colombia's first Social Impact Bond. I begin by examining its background, structure, and the relationships between its key contractual actors.

The Social Impact Bond *Empleando Futuro*

In Latin America, the first country to introduce Social Impact Bonds was Colombia (Paya et al, 2017). The initiative was originally conceived by SECO which took the lead as the primary supporter, providing most of

the financial resources. SECO partnered with the Innovation Laboratory of the Interamerican Development Bank (IDB-Lab) which served as an intermediary in managing and disbursing the funding through its Multilateral Investment Fund. The Colombian Social Impact Bond programme, SIBs.CO, was then set up by combining these funds, coming from international development entities, with funds from the Colombian State Office for Social Prosperity (DPS), a government agency in charge of social protection programmes in Colombia. Unlike what is typically observed in the structure of these instruments, which usually involve only one government commissioner, a distinctive feature of the Colombian Social Impact Bonds is that all three local and international entities – SECO, IDB-Lab, and DPS – function as co-commissioners and outcome payers (Gustafsson-Wright et al, 2017; Instiglio, 2019).

SIBs.CO was designed to promote formal employment, particularly in the context of rural-to-urban forced displacement caused by the Colombian internal armed conflict, which has historically increased unemployment and informality in cities (Instiglio, 2019). In addition to this, SIBs.CO was also intended to serve as an initiative to improve the knowledge and skills of different local actors in relation to Results Based Financing, Payment by Results contracts, Social Impact Bonds and impact investing (Agusti Strid et al, 2021; Social Finance and Fundación Empresario por la Educación, 2021). SECO's vision, specifically, included the creation of a sustainable local market for social service provision to reduce dependency on international funding actors over time (Swissinfo, 2018).

SIBs.CO was structured to design four distinct Social Impact Bonds, having an anticipated operational span of five years (Paya et al, 2017; Gonzalez, 2021). The DPS set the expected outcomes of the formal employment projects (Pellizzari and Muniesa, 2023). Meanwhile, intermediary entities undertook the administration of the implementation to ensure that the expected outcomes, specifically, a certain number of formal job placements and retention periods, were achieved (Instiglio, 2019).

Colombia's inaugural Social Impact Bond, *Empleando Futuro*, was implemented from March 2017 to December 2020, in the cities Bogota, Cali and Pereira (Gustafsson-Wright et al, 2017). Investors were some of the largest Colombian corporate philanthropic foundations, namely Fundación Santo Domingo, of one the country's leading business conglomerates; Fundación Bolívar-Davivienda, which operates as part of the Bolívar Group, one of Colombia's most prominent financial institutions; and Fundación Corona, the philanthropic arm of Corona Organization, a company in the field of domestic ceramics. Fundación Corona, specifically, played a dual role as an investor and a general intermediary. The impact investment fund manager Corporación Inversor was another intermediary entity for this bond, overseeing its general management. Three NGOs and one social

enterprise were service providers, responsible for identifying and recruiting eligible participants, implementing training programmes to enhance their employability, and providing support services, guidance and mentorship to facilitate their transition into formal employment (Instiglio, 2019; Chaparro et al, 2020). A simplified version of the structure of *Empleando Futuro* can be seen in Figure 7.1.

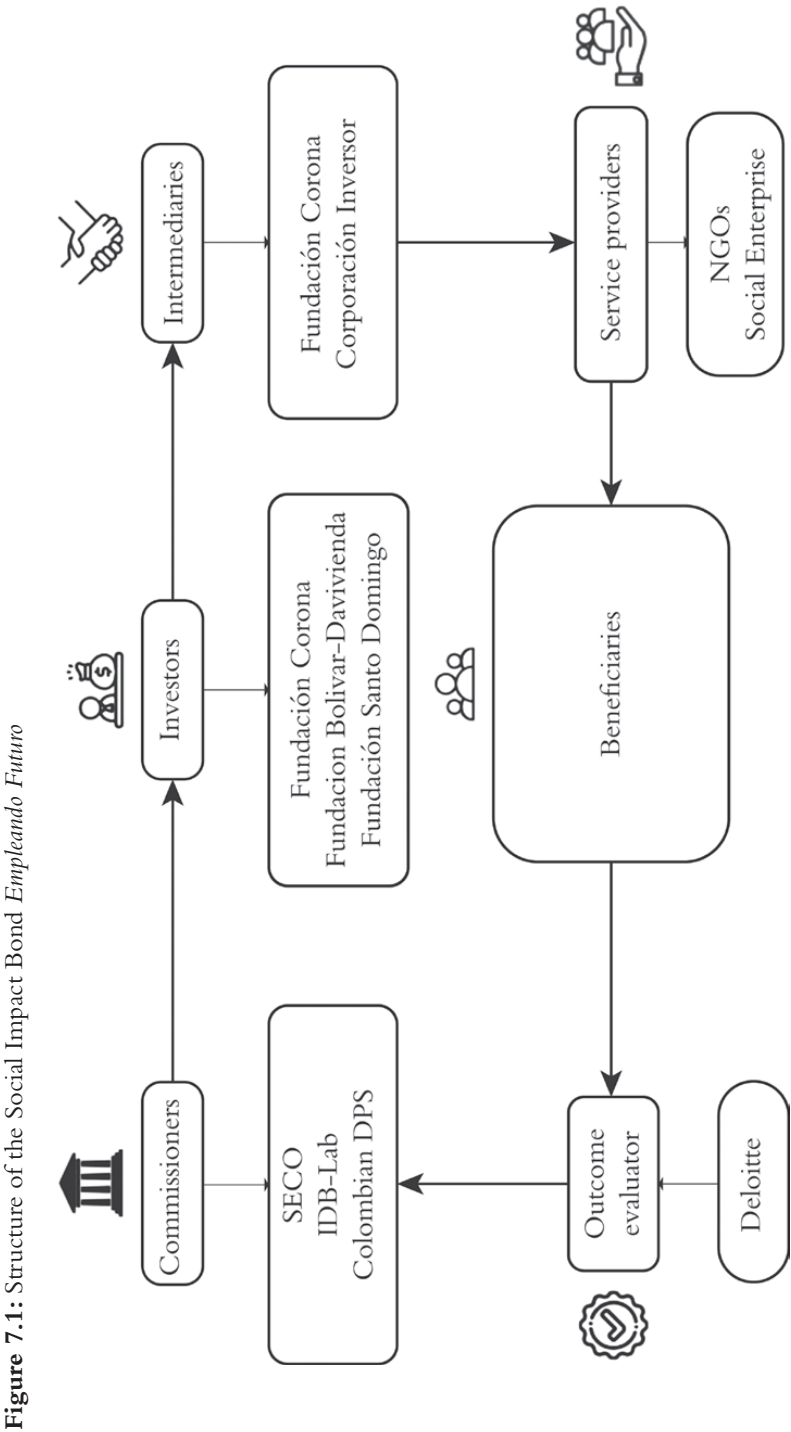
Empleando Futuro aimed to secure 766 formal job placements as its predetermined goal. In practice, this meant that to disburse 100 per cent of outcome payments, 766 individuals had to obtain and maintain formal employment for a minimum of three months. Investors received 50 per cent of the per capita payment when a participant secured employment and the remaining 50 per cent after the participant maintained the job for at least three months. If a participant retained the job for six months, investors received an additional 10 per cent interest per capita. Remarkably, *Empleando Futuro* was deemed a successful Social Impact Bond, with 899 individuals finding employment, 677 retaining it for at least three months, and 309 sustaining their jobs for a minimum of six months (Instiglio, 2019). All repayments to investors were made based on the outcome verification performed by the accounting firm Deloitte, which acted as external independent evaluator and conducted a confirmation of employment and labour retention (SIBs. Co, 2023).

Risks between commissioners and investors

In Social Impact Bonds, investors are financing the resolution of a social problem that aligns with the commissioners' interests. In doing so, they not only invest capital but also undertake financial risks tied to the project's performance. This structure creates an incentive for investors to actively work to achieve positive social impacts, since their financial returns are contingent on project success.

In the case of *Empleando Futuro*, investors undertook the responsibility of securing 766 formal employment placements, backed by the risk of losing their initial capital if they fell short. Conversely, if these social outcomes were met, the commissioners were obligated to repay the investors, including potential returns. This investor–commissioner relationship was akin to a contractual debt, entailing a clear expectation of repayment and a legal entitlement to reciprocation (Graeber, 2011; Vidal, 2014).

The investors' financial risk was tied to the performance of the social interventions, as the return on their investment was contingent upon the programme's ability to achieve the agreed expected outcomes (Instiglio, 2019). Factors such as the effectiveness of the intervention, the target population's response, and external variables influencing the outcomes contributed to investors' uncertainty – if the expected social outcomes were



not achieved, within the designated timeframe, investors faced financial losses, including the risk of not recouping their initial capital.

Financial risks in *Empleando Futuro* were strategically managed by investors using various approaches. Fundación Corona mitigated its risks leveraging its experience in impact investing and its role as an intermediary. Equipped with prior experience in impact investing and in formal employment projects, and possessing internal governance structures for such ventures, it allocated funds from its endowment with the intention of generating returns (Velez-Valencia et al, 2023). As intermediary, it acted on behalf of itself and of the other investors, taking on responsibilities such as supervising the whole Social Impact Bond, handling the selection and contracting of service providers, and managing the relationships with them throughout the implementation (Instiglio, 2019; SIBs.Co, 2023).

Conversely, the other two investors, Fundación Santo Domingo and Fundación Bolívar-Davivienda, regarded their contributions not as traditional investments but as expenditures or donations (Velez-Valencia et al, 2023). That is to say, they pulled funds out from their operating budget and booked their participation in *Empleando Futuro* in their accounting records as an expenditure. This was a strategy to mitigate the default risk of the bond, due to the lack of precedent for this type of investment in Colombia and limited data on the effectiveness of job-placement project implementation (Instiglio, 2019; El Colombiano, 2023; Velez-Valencia et al, 2023).

Furthermore, even if successful, Fundación Santo Domingo and Fundación Bolívar-Davivienda's anticipated returns were expected to be directed to Colombia's National Payment by Results Fund (LOGRA), mirroring the practice observed in the US, where Social Impact Bond investors have usually contributed profits to social welfare funds (Tse and Warner, 2020). By treating their investment as donations or expenses from the start, rather than as investments expecting returns, these investors both simplified their accounting and protected themselves from potential losses.

Nevertheless, beyond financial gains, commissioners and investors, relaying on intermediaries, put in significant effort to guarantee success and thus in realizing the expected repayment and return on investment. This commitment served multiple purposes. Primarily, they wanted to honour the Social Impact Bond contract successfully to establish a positive track record for the effectiveness of these instruments, Payment by Results contracts, and impact investments in the country (Agusti Strid et al, 2021). Moreover, they expected to be credited for their contributions to making a positive impact, being portrayed as philanthropic and socially conscious, and as active participants in this initiative that was considered financially and socially innovative (El Colombiano, 2023).

These reputational benefits were important to both the investors and commissioners, who shared responsibility for the bond's success. So,

while some investors treated their contributions as donations rather than investments, they still wanted to carefully manage risks to ensure positive outcomes – not to protect financial returns necessarily, but to protect their reputation and demonstrate their ability to drive social innovation. Central to this risk-management approach was the role of intermediaries.

Intermediaries as risk managers

In the context of Social Impact Bonds, while all contractual actors face different types of risks, intermediaries especially embrace the risk-management forward-looking disposition. The conventional structure of these instruments dictates that commissioners do not directly engage with the investors or service providers but enter a contractual relationship with them through intermediary entities that manage the process (Warner, 2013; Andersen et al, 2022). At the beginning of the Social Impact Bond, investors' funds are transferred to the intermediaries for management (Bergfeld et al, 2016). Through this action, it becomes the responsibility of the intermediaries to simultaneously handle financial risks, programmatic risks (related to implementation) and impact risks.

Much like fund managers (see, for example, Ortiz, 2013), Social Impact Bond intermediaries have to employ derisking practices to ensure that the expected outcomes, as set by the commissioner, are achieved and they must eliminate impediments to the earning potential of the investors – a paradigm consistent with the profit-driven aspect of financial expertise (Zaloom, 2004). According to Emiliano, a manager working for one of the intermediary entities involved in *Empleando Futuro*:

The scheme involves public actors who provide guidelines and define many technical elements, like how much money is available and what we want to achieve. These commissioners, the public entities, they don't have direct communication with me as the intermediary. But the decisions are made by me, the intermediary. The 'how' depends on what I internally determine, and because I represent the investors, we can say that the final decision is made by the investors. I'm here for my investors. (Personal communication, 31 May 2022)

As Emiliano discussed, in a Social Impact Bond there is a structured division of roles and responsibilities. In Colombia, the commissioners defined the expected outcomes, budgetary limitations, and conditions regarding the population to benefit through the employment projects (Pellizzari and Muniesa, 2023). Once these basic guidelines were established, the commissioners ceded the responsibility for achieving the expected results to the investors, who then relied on the intermediaries to head decision making

throughout the implementation of the employment projects (Instiglio, 2019; Chaparro et al, 2020).

With the statement 'I'm here for my investors', Emiliano confirms that *Empleando Futuro's* intermediaries, while formally tasked with the management of a social programme, prioritized securing investor confidence. Their role was defined by the financialized structure of this Social Impact Bond, where success was determined by the ability to deliver measurable results that met investor expectations. Within it, intermediaries aimed at positioning themselves as efficient and reliable actors, reinforcing their role in the emerging field of Social Impact Bond implementation in Colombia. This resonates with the anthropological understandings of how in financial domains actors strategically navigate risks and manage uncertainty through actions and negotiations that optimize their results, establish their credibility and secure their positions (Zaloom, 2004; Ortiz, 2013).

The risk-mitigation strategies of intermediaries were varied. According to the implementation reports, the contractual structure of *Empleando Futuro* included four service providers, in order to mitigate the risk of non-performance, enhance the project's learnings, and favour the development of the service providers' market for social provision (Instiglio, 2019; Cadena et al, 2021). By involving a diverse array of service providers, the commissioners intended to strategically diversify approaches and enhance the likelihood of achieving successful outcomes (Social Finance and Fundación Empresario por la Educación, 2021). This was a strategy to address programmatic risk, suggesting that each service provider would contribute unique skills, expertise and resources, creating what seemed like a more resilient and adaptable framework, ostensibly mitigating hazards associated with a singular, standardized approach.

Yet this standardized process was designed not only to facilitate successful outcomes but to serve as a framework for comparing implementation approaches across providers. Consequently, from the beginning, a 'route' was set up to be followed by all service providers, including 11 steps from registration through post-employment support. The goal of the route was to generate data about which strategies proved most effective and at what cost, information that could inform the development of a market for employment services with accurate pricing structures (Instiglio, 2019; Cadena et al, 2021).

However, my analysis of the implementation of *Empleando Futuro* revealed how intermediaries' risk management actually constrained this supposed diversity, with all service providers largely following a similar implementation formula. Specifically, intermediaries used the route as a strict risk-management tool, enforcing specific expectations for each of the 11 steps. Indeed, service providers could include some subtle differences in their methods of implementation. For instance, to attract participants, some service providers conducted neighbourhood assemblies, while others

distributed flyers in busy city areas. Some service providers focused on training participants for specific jobs, such as working in industrial kitchens, while others opted to train participants for a variety of possible jobs, for example through computer literacy courses (Instiglio, 2019). Nevertheless, intermediaries severely limited these variations and closely monitored service providers' adherence to the predefined requirements, transforming what was meant to be a general framework into a standardized protocol that left little room for adaptation to specific needs or circumstances (Chaparro et al, 2020; Cadena et al, 2021).

The second risk-reduction strategy pursued by the intermediaries of *Empleando Futuro*, which in practice was executed by the service providers, involved strategic participant profiling and targeting practices, with the goal of identifying individuals in the targeted vulnerable population with the highest likelihood of securing formal employment (Instiglio, 2019), thereby ensuring the success of the Social Impact Bond. The profiling and targeting methods, openly reported by the programme SIBs.CO, were executed by the intermediaries to mitigate financial risk for investors by enhancing the efficiency of the social interventions (Cadena et al, 2021; SIBs.Co, 2023). In this regard, social worker Isabela, who worked for one of the service providers during the implementation of *Empleando Futuro* remarked:

I remember a case of a woman who was almost 36 years old, and she came from a rural area. In theory, she had already completed high school. However, she had many difficulties with reading and mathematics and was struggling to adapt to city life. She wasn't entirely aware of the job-related skills required here. Because of cases like hers, our dropout rates were very high, and the intermediaries were holding us by the throat. So, based on our experience with her and many other participants who met the initial requirements but were not quite right, we developed interviews to determine whether there was a likelihood of future dropout or if it was more likely to be a successful case. We assessed factors like the person's abilities, support network, and level of commitment. After this, our dropout rates started to decrease. (Personal communication, 11 November 2021)

In her account, Isabela illustrated how service providers attempted to select participants who were perceived as having a higher potential for success in achieving the expected outcomes of *Empleando Futuro*. Specifically, how service providers made efforts to identify and engage participants who were perceived as less vulnerable, in terms of educational level or workplace capabilities, or who seemed more likely to secure formal employment in the placement stage of the intervention, based on their skills, personal circumstances or prior knowledge.

It is interesting to analyse this issue considering the promise of the Social Impact Bond model of transferring the risk of non-performance of social projects from the commissioners to external investors (Tan et al, 2021; FitzGerald et al, 2023). This dynamic supposedly introduces a unique interplay of debt, obligation and risk. On the one hand, investors undertake a form of financial obligation by providing capital to projects and committing to achieve successful outcomes with the help of intermediaries and service providers. The commitment is tied to the anticipation of repayment. On the other hand, the model aims to mitigate the commissioners' risk exposure, essentially outsourcing it to the investors.

Yet, in the Colombian context, the strategic participant selection advanced by service providers to meet intermediaries' expectations reveals a contradiction in Social Impact Bond's risk-transfer claims. By carefully selecting participants most likely to succeed, service providers effectively minimized the risk of failure that investors were supposedly taking on. This meant that, in practice, investors faced little actual risk.

However, the commissioners – using public funds from both Colombian state resources and international development cooperation – remained obligated to repay investors. Thus, *Empleando Futuro* functioned under a structure where public funds were used to reward private investors while limiting populations' access to social services. As described by Isabela, profiling practices led to the exclusion of potential participants who fulfilled the minimum participation requirements but faced more significant challenges and needed more support in finding a formal job.

Rather than targeting unemployment among the most vulnerable populations, as it purported, *Empleando Futuro* effectively only worked to marginally reduce unemployment among some already closest to the formal labour market. This is consistent with the critical literature on Social Impact Bonds that highlights how these instruments have often focused on short-term outcomes that lend themselves to easy measurement (Chiapello and Knoll, 2020; Sinclair et al, 2021), a dynamic that ends up excluding problems, populations and individuals who demand substantial investment or attention but might not yield immediate financial returns.

During my interviews, when questioned about participant profiling, managers from the programme SIBs.CO and intermediary entities defended their practices with a seemingly pragmatic logic. They insisted that this selective approach was not only justified but necessary, arguing that not all social projects are suitable for all people, and that very specific cases require more tailor-made interventions. These managers portrayed their profiling practices as a form of responsible programme management, suggesting that some individuals would be better served by more specialized interventions. Through this reasoning, they reframed what was essentially a risk-management strategy to protect investors, into what they presented as thoughtful programme design.

However, these rationalizations show that the profiling was not intended for the benefit of the participants but skewed in favour of investors. This was illustrated in Isabela's account of the rural woman who, despite meeting formal requirements, was considered too risky for the programme. Such cases demonstrate how individuals who needed the most support – those facing multiple barriers to employment – were systematically excluded not because other services would serve them better, but because they posed a potential threat to the programme's success metrics and, consequently, to investor returns. As in Colombia, across the world Social Impact Bonds have been heavily biased towards the benefit of investors (Bergfeld et al, 2016; Edmiston and Nicholls, 2018), with service providers usually shifting their focus from necessary activities to those that are more profitable for the financial sector (McHugh et al, 2013).

Monitoring for performance

Generally speaking, in the implementation of Social Impact Bonds, intermediaries distribute the investors' funds to service providers who carry out the social projects (Del Giudice and Migliavacca, 2019; Sinclair et al, 2021). In Colombia, this funding arrangement came with specific obligations: service providers had to not only implement their planned interventions but actually achieve the predetermined outcomes to receive their payment. Their funding was directly tied to successfully delivering these results – it was not enough to show progress or good faith efforts.

In *Empleando Futuro*, specifically, intermediaries and service providers entered a regular commercial exchange where the service provider was expected to deliver exact outcomes in return for financial compensation, creating a clear *quid pro quo* arrangement. This arrangement was contractual and included the agreed-upon terms, timely delivery of outcomes, and an openness to constant monitoring. Failure to meet the expectations and deliver the expected results had immediate consequences on payment, similar to how a commercial supplier might not receive full payment for goods or services that do not meet contractual terms. To illustrate this, I was given an analogy during one of my interviews in which I asked Benjamín, a manager at one intermediary entity of the programme SIBs.CO, to discuss the distribution of risks in the Colombian Social Impact Bonds:

Being strict, the operators don't incur in any risk. What do they lose? The money? No, they didn't put it. A friend lent them money for the project. If they get stuck in traffic, don't achieve the results, and don't pay the friend back, who loses? Do they lose? Maybe, they lose their time. But in strict terms, the one losing the money is the funder.

Anyway, it's not in the operator's interest to perform poorly because they won't get paid. So, they surely say 'it's more beneficial for me to win than to lose'. (Personal communication, 12 January 2022)

Benjamín exemplified how risk was understood and managed in *Empleando Futuro*, specifically, from the perspective of the intermediaries (managing the funds), their relationship with the service providers (carrying out the social interventions). In the analogy of borrowing money from a friend for a project – the friend represents the investor who contributed the funds. If the service providers encounter challenges, akin to being stuck in traffic, failing to achieve the intended results, and subsequently do not repay the 'friend' (investor), the service provider may lose time but not their own money. Accordingly, in this context, service providers (here mentioned as operators) were not directly exposed to financial risks. Instead, the primary financial risk lay with the investors.

However, Benjamín's conclusion – that service providers are motivated to perform because 'they won't get paid' – actually demonstrates how intermediaries effectively managed risks by transferring operational pressure to service providers and conditioning their payment. The implications of this transfer were articulated by Johana, a service provider manager, who contrasted their experience in *Empleando Futuro* with conventional grants:

Obviously, the resources and money come in with [employment] retention. ... For the operator it's: put up money and see if you achieve the impact and if you don't achieve it, well you have to assume it economically. We had to achieve for the money to come in. Other programs are funded traditionally: they give you the money and you operate, right? Like a grant. ... You won it and that's it. Then you go on to meet the milestones, reports, numbers, the financial part. But here, here the pressure was the money, there was pressure that you have to do everything to achieve it. (Personal communication, 3 November 2021)

In our conversation, Johana explained that while service providers received some initial resources to begin implementation, the majority of their payment was conditional on achieving employment outcomes. Unlike traditional grant funding where her organization received full resources upfront and focused on activities, the payment structure of *Empleando Futuro* created an unprecedented financial vulnerability. They had to provide additional resources throughout implementation, knowing they would only recover these funds and receive their full payment if participants secured and maintained employment. Benjamín's framing that for service providers 'it's more beneficial to win than to lose' is telling of this situation: intermediaries

effectively pushing service providers to prioritize achieving the expected outcomes, in a way that made it critical for their financial survival.

To respond to these pressures and pre-emptively address participant dropout that could threaten programme outcomes, service providers included specific forms of support in their interventions, such as transportation allowances, meals and childcare considerations. However, service providers quickly discovered that their predetermined support calculations, set during the contracting phase of *Empleando Futuro*, were insufficient for the actual needs they encountered during implementation. As Johana described:

They received transportation allowances and daily meals. But many came with their children so the children wouldn't starve locked at home ... we had people who sold things on the street, on buses, or who would do house cleaning, they needed income so they couldn't come in all day ... for them it was manageable for half a day or so. (Personal communication, 3 November 2021)

Service providers had to balance their contractual commitments with the realities of implementation and found themselves negotiating with intermediaries for additional funding when initial allocations proved inadequate. For instance, in the situations described by Johana, when participants needed to take multiple buses to reach training, or when they required transportation support during their first month of employment before receiving a salary.

As a whole, participation costs significantly affected potential participants' decisions, who had to weigh programme benefits against their immediate economic needs. While service providers recognized these economic pressures – from needing to earn daily income to caring for family members – posed significant risks to programme completion, intermediaries usually resisted increasing financial support, viewing these as exceptional cases that would make social services unnecessarily expensive. Unable or unwilling to absorb these extra costs themselves, service providers responded by instructing their practitioners to be more selective, focusing on enrolling participants who could manage with the limited financial support available. In this chain of decisions, intermediaries' narrow view of necessary programme costs again conditioned participant selection, excluding those who needed more support to succeed in finding formal employment.

Beyond controlling costs through performance pressures and limited financial support for participants, intermediaries developed other strategies to manage implementation risks. In the achievement of expected outcomes, intermediaries expected service providers to be as efficient as possible in carrying out the employment projects – their efficiency ensured through continuous activity monitoring. From the application stage to training and

the job placements and retention periods, service providers had to undergo continuous scrutiny so that the intermediaries tracked progress, measured outcomes, and ensured that the targets were being achieved. In this regard, Matias, a manager in one of the service provider organizations, explained:

The bond has an extremely high level of demands, not only financially but also in terms of its activities. We have a weekly work schedule but on a day-to-day basis the intermediary is also with us. We work based on statistics. All these numbers are monitored every day. I'm not sure if Social Impact Bonds work the same way worldwide, but let's say one of the goals, one of the criteria to meet here, is that these numbers always stay within a good range. (Personal communication, 11 November 2021)

In our meeting, Matias discussed the relationship between intermediaries, service providers and performance targets within *Empleando Futuro*. As illustrated, the service providers had to ensure that programme performance statistics met the predefined criteria for each stage of implementation. The constant monitoring of efficiency metrics served as a strategy for intermediaries that wanted to identify and address potential risks to programme outcomes before they materialized into threats to investor returns.

However, their approach effectively reduced the social service provision to a series of trackable numbers, which served intermediaries' needs by providing concrete evidence of programme performance to reassure investors, while also giving them a tool to control service providers' operations. Since payment was conditional on proving employment retention, service providers had to invest significant time and resources collecting documentation. For instance, when certificates were not readily available or participants could not take time off from their new jobs to request documentation, or risked appearing problematic to their employers by making such requests, implementation practitioners even had to physically visit employers to obtain proof of their employment status.

Then, the intense monitoring created a cascade of pressures that flowed through the entire Social Impact Bond structure. At the frontline, practitioners felt compelled to intensively monitor participant behaviour. As Alejandra, one of the social workers, described:

Yes, we indeed worked quite a bit. We had to ensure that the participants arrived on time and attended their classes everyday. If they didn't show up, we had to call them: 'Hello. Why didn't you come to class today? What's going on?' And what we did with that, well, it depended on whether they returned or not. (Personal communication, 18 March 2021).

In my interviews, I learned that in *Empleando Futuro* participants joined voluntarily, seeing it as a pathway to better living conditions through formal employment. They underwent selection, committed to training and job searching, yet maintained the right to withdraw at any time. This created a tension in how different actors approached the implementation. Service providers, whose payment depended on successful outcomes, selectively chose, closely monitored, incentivized and pushed participants to meet programme requirements. Even when they understood that participants dropped out due to unfulfilled aspirations or immediate economic pressures – such as being unable to cover basic expenses during training or finding jobs that paid too little to support their families – they still pressured people to continue, leveraging personal relationships and emphasizing potential future benefits like training certificates or work experience, while knowing these advantages were often outweighed by participants’ urgent financial needs.

Meanwhile, intermediaries approached this voluntary participation by requiring service providers to document and report every aspect of implementation. As I will discuss in detail in the next section, the resulting dynamic of layered oversight transformed what was meant to be a supportive pathway to employment for vulnerable populations into a tightly controlled risk-management exercise, where all commissioners, investors, service providers and intermediaries are complicit in prioritizing the protection of their financial interests over the targeted beneficiaries’ needs and aspirations.

Measured outcomes and lived experiences

The previous sections showed how intermediaries developed multiple approaches to protect investor interests – from strict monitoring and documentation requirements to strategic participant selection and conditional payment structures with service providers. In this section, I briefly examine how this social intervention, so thoroughly shaped by investor protection, supported participants in finding formal employment.

As I have mentioned before, the external verification firm Deloitte first confirmed *Empleando Futuro*’s achievement of its contracted outcomes by validating participants’ employment and retention rates: 899 individuals found employment, 677 retained jobs for at least three months, and 309 maintained employment for six months or more. These outcomes led to investor repayments.

Beyond this basic verification, the programme SIBs.CO commissioned a separate evaluation to assess the bond’s broader effectiveness, examine how the training intervention affected participants’ employability, and look beyond job-placement numbers (Chaparro et al, 2020). Specifically, this evaluation used a difference-in-differences estimation methodology to compare the gap between a control group and an intervention group at two distinct

points in time: before and after the employment projects. The evaluators found that there was a 12 per cent increase in the likelihood of securing formal employment three months after completing the training phase. The effectiveness was found to be tied to the intensity of training: increased training hours directly correlated with improved employment outcomes. However, this marginal positive effect was not sustained long-term, showing a gradual decline after the six-month mark. Then, after one year the effect on the probability of securing formal employment was around 7.8 per cent. The assessment concluded that *Empleando Futuro* helped to slightly close the gap in the likelihood of being formally employed, especially in the months immediately after training, but that its effect gradually lessened over time (Chaparro et al, 2020).

This assessment faced a significant challenge in isolating the direct impact of *Empleando Futuro*, specifically regarding the training and job-placement support. This challenge echoes broader issues observed in Social Impact Bond evaluation globally, as attributing measured outcomes solely to the interventions has come into question due to the influence of other services or favourable conditions (McHugh et al, 2013; Sinclair et al, 2021; Tan et al, 2021). In Colombia particularly, as previously discussed, many participants entered the bond's job-placement projects with pre-existing skills suitable for formal employment, as strategically facilitated by the service providers. This selection bias was not accounted for in the evaluation, which treated all participants as equally in need of support.

Additionally, the evaluation neglected to account for contextual factors that could have shaped the reported outcomes. It prioritized quantitative data and overlooked the experiential dimensions inherent in social projects operating within the social, economic and political environment of Colombia, where diverse variables interact. For instance, this evaluation did not account for aspects such as participants' experiences in the context of the Colombian armed conflict, support networks, previous work experiences, educational backgrounds, racial or gender identities, which could have significantly influenced the outcomes of the employment projects, impacting their effectiveness in ways that quantitative data alone might not have captured.

Moreover, this assessment reveals how, despite intermediaries' intense focus on achieving measurable outcomes, the programme's effect on employment was, at best, modest. In a country where unemployment affects approximately 12 per cent of a population of 50 million, their focus on achieving countable targets through careful risk-management practices reduced the creation of sustainable employment pathways to a simple numbers game.

My ethnographic evidence further unravels this dissonance between reported outcomes and lived experiences. Participants, while technically placed in formal jobs, encountered precarious employment positions that fell short of their expectations and hindered their aspirations for well-being and security.

Many ended up in low-paying service jobs with limited benefits, which provided little stability or advancement opportunities. A significant number of individuals secured only temporary fixed-term employment. Others were either laid off shortly after being hired or faced job losses due to the disruptive impact of the COVID-19 pandemic in 2020. Those few who managed to retain their positions often found themselves immersed in exploitative labour dynamics, further eroding the quality of their work experiences.

Despite these modest employment outcomes, investors successfully claimed their returns from *Empleando Futuro*, as facilitated by the risk-mitigation strategies of intermediaries. This points to broader issues in Social Impact Bonds. Even with apparently rigorous evaluations in place, the Colombian case confirms what [Chiapello \(2023\)](#) has identified more broadly: the contractual structure is designed to ensure investors receive their benefits, while the actual impact on participants' lives remains secondary.

Conclusion

Welfare, social development and social policies are undergoing continuous transformation, with the financial sector playing an increasingly prominent role over time ([Chiapello et al, 2023](#)). Its involvement is characterized by a preference for initiatives that emphasize measurable outcomes and market-oriented principles, prioritizing profitability for investors.

With over a decade of implementation and numerous cases across different continents, Social Impact Bonds stand as one of the most iconic examples of this transformation process ([Nicholls and Emerson, 2015](#)). Their complex yet adaptable structure, applicable to various implementation contexts, demonstrates the diverse forms they can take and the varied consequences they can yield ([McHugh et al, 2013](#); [Pellizzari and Muniesa, 2023](#)).

In Colombia, the Social Impact Bond *Empleando Futuro* was introduced as an innovative approach to address unemployment. Within it, local and international commissioners, investors, intermediaries and service providers entered contractual relationships to design and implement formal employment projects. After implementation and verification of outcomes the contractual obligations of each party were fulfilled and *Empleando Futuro* was declared successful.

Through my analysis, I found that this achievement was largely orchestrated by intermediaries, who occupied a unique position – being tasked with handling financial, programmatic and impact risks simultaneously, all while balancing financial imperatives with social objectives. By acting with a heightened sense of responsibility toward investor returns, intermediaries shaped social service delivery in ways that succeeded in achieving measurable outcomes but compromised the quality of the implementation and of the social outcomes. Their practices – from participant profiling to intensive

monitoring of implementation – are proof of how deeply financial logics can penetrate social service delivery when investment protection becomes the primary concern.

My ethnographic evidence highlights this gap: while commissioners launched this initiative to address unemployment among vulnerable populations, intermediaries' focus on measurable outcomes led to the systematic exclusion of those who needed the most support and to many participants, though technically placed in formal jobs, finding themselves in unstable, low-wage positions with limited prospects for advancement or stability – their aspirations reduced to numbers in reports. Service providers, pressured by payment conditions, became extensions of this risk-management apparatus, selecting the participants most likely to succeed and maintaining strict oversight of their progress.

My examination of *Empleando Futuro* has sought to contribute to the understanding of how impact investing translates into practice in the Colombian context, showing how intermediaries' risk-management strategies shaped the employment programmes delivered. Rather than aligning private profit with social benefit as promised, I have explored how this instrument prioritized investor protection at the expense of social objectives. Yet despite this contradiction, Social Impact Bonds continue to proliferate, both in Colombia and around the world, transforming the way social services are financed, delivered and evaluated, mostly in favour of the private sector (Gustafsson-Wright et al, 2022; Chiapello, 2023; Government Outcomes Lab, 2024).

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PART II

**Enacting Impact
in Investment Practices**

Implementing ‘Impact’ in Rural Ghana: Negotiating Meanings and Shifting Interpretations

Claudia Campisano

1. Introduction

Impact and social finance have recently become objects of intense scrutiny and debate in the social sciences (Barman, 2015, 2016; Chiapello and Godefroy, 2017; Sullivan, 2018; Balsiger, 2019; Caselli, 2020; Hellman, 2020; Burnier et al, 2022), reflecting the significant expansion the sector witnessed in the past few decades (O’Donohoe et al, 2010; Mudaliar and Dithrich, 2019; Hand et al, 2020). According to some authors, the roots of impact and social finance can be traced to America and Britain in the 1990s (Golka, 2019), or the neoliberal turn under the Reagan administration (Stolz and Lai, 2020). Several scholars have highlighted how impact investments and social finance are products of a three-fold process in capitalist societies: ‘the financialization of capitalist regimes, the transformations towards neoliberal modes of government, and the transformations of welfare policies and welfare provision’ (Chiapello and Knoll, 2020: 16).

In spite of the rapid growth of the impact investing market, financial institutions and investors have yet to develop a clear definition of ‘impact’ and a measure of it (Höchstädter and Scheck, 2015; Barman, 2020). With this chapter, my aim is to shed light on the processes through which, amid such definitional ambiguity, ideas of impact are formulated, negotiated and mobilized by investees at the stage of project implementation. I will do so by exploring the case of Sust-Agric Africa (SAA), a social enterprise which aims to lift smallholder farmers in rural Africa out of poverty by promoting sustainable agriculture. As a social enterprise, SAA positions itself in the grey zone between social finance and impact investing. Its operational capital is

provided by various actors, including impact investment funds and individuals committed to harnessing finance to address social and environmental issues.

Data presented here were collected through participation in impact investment events, the search of web resources, interviews with impact practitioners and seven months of ethnographic fieldwork in Ghana. While participant observation constituted the primary data collection method, I conducted around 100 interviews and focus groups (open, structured and semi-structured) with different stakeholders. These included SAA's staff at different levels (from CEOs to field officers), men and women farmers who had joined SAA's programme or who refused to do so, local chiefs, religious and spiritual authorities, staff from other businesses carrying out similar activities to SAA's and staff of the Ghanaian Ministry of Agriculture.

The first section of the chapter presents a brief overview of the different definitions and uses of the term 'impact' I encountered in the literature, documents and data I gathered about the impact and social finance 'ecosystem'. It then provides a description of SAA's activities and examines how understandings of 'impact' also vary significantly at the organizational level.

The following section describes the three main kinds of impact SAA was striving to produce (environmental, social and gender impact), pointing at the challenges the company faced to achieve its stated goals. The chapter then moves on to look at how the construction and mobilization of specific narratives and rhetoric allow for the negotiation and reformulation of 'impact' definitions. In particular, I point at what I called the temporal and gradient dimensions of impact production in SAA's narratives to make sense of changes in the company's policies and strategies. I then conclude by hinting at some of the consequences resulting from such negotiation and reformulation processes, including the risk of obfuscating actual results and reproducing existing global inequalities.

2. Defining impact: shifting concepts and understandings

Antony Bugg-Levine and Jed Emerson introduce the readers of their book, *Impact Investing: Transforming How We Make Money While Making a Difference*, to the world of impact finance by describing 'the pioneers of impact investing for blended value' as 'creatures of beauty' that 'have left the fields and the cities where people assume the only purpose of investing is to make money and the only way to solve social problems is through charity' (Bugg-Levine and Emerson, 2011). Jed Emerson is Chief Impact Officer for Tiedemann Advisors/ALTi and is best known for coining concepts such as total portfolio management and blended value – the idea that value is a combination of economic, social and environmental dimensions (see also Sial and Sklair,

Chapter 2 in this volume). CEO of the Nonprofit Finance Fund (NFF), Bugg-Levine serves as board chairperson of the Global Impact Investing Network (GIIN). He had previously led the impact investing initiative at the Rockefeller Foundation where, along with some colleagues, in 2007, he coined the expression 'impact investing' with its current meaning (Bugg-Levine and Emerson, 2011).

The use of the term 'impact' with reference to investments has spread following the 2008 financial crisis. In such circumstances, although they did not result in the disruption of dominant financial ideologies, with their unequal distributive effects (Ortiz, 2012) and underpinning values (Ho, 2012), public interventions to bail out financial institutions have, to some extent, undermined the legitimacy that the financial industry had gained through its aura of exclusive expertise and scientificity. In this context, many financial actors resorted to an ethicalizing (Roy, 2012) discourse to demarcate a space for trends such as sustainable, social and impact finance, and to confer new legitimacy to the sector (Kitner and Kuriyan, 2009; Keohane, 2016).

Nonetheless, many studies show that the term 'impact' is not clearly defined even within the sector (Barman, 2016; Chiapello and Godefroy, 2017; Bourgeron, 2020), where actors tend to esteem hybridity (see the Introduction to this volume). In her analysis of the process to create the Global Impact Investing Rating System (GIIRS), Emily Barman draws on Star and Griesemer (1989) and proposes to look at 'impact' as a 'boundary object', showing that despite cooperating for the development of an impact sector, the different actors involved tend to have different, and sometimes conflicting, understandings of the term (Barman, 2020). Such indefiniteness immediately emerges from an overview of the impact investing 'ecosystem', as it is referred to by its practitioners, where uses of the term vary from very general to more restrictive:

'I started to ask, "How can I take the job I do every day and the money I get paid and turn that around to make a big impact on the world?"'¹

According to the GIIN: 'Impact investing is marked by an intentional desire to contribute to measurable social or environmental benefit. Impact investors aim to solve problems and address opportunities. This is at the heart of what differentiates impact investing from other investment approaches which may incorporate impact considerations.'²

Amid such variety, an emphasis on the non-financial dimension and the production of positive and measurable social and/or environmental outcomes

¹ Devex interview to Brian Boland, the vice president of publisher solutions at Facebook and co-founder of the Delta Fund, which invested in a Development Impact Bond (DIB). www.devex.com/news/the-rise-of-the-mega-donors-92017

² The GIIN's definition of impact: <https://thegiin.org/characteristics>

represent the central tenets in the ‘boundary-building work’ that defines impact investing as a distinct market, differentiating it from other similar trends in finance: ‘Impact investing goes further than ESG investing in two ways: firstly, it aims not just to avoid a negative impact, but to create a positive one; secondly, it insists on measuring the impact it creates’ (Cohen, 2020: chapter 3).

O’Donohoe et al (2010: 5) state: ‘We distinguish impact investments from the more mature field of socially responsible investments (SRI), which generally seek to minimize negative impact rather than proactively create positive social or environmental benefit.’

Rather than being an inconsistency that might hinder the sector’s development, however, the haziness around ideas of ‘impact’ should be seen as a potential resource in the hands of impact practitioners (see [Introduction](#), this volume), and is also reproduced in the implementation of projects funded with impact and social capital. Juan is an Argentinian with a business background who decided to leave his job in Germany to work in rural Africa. In 2011, he moved to Sierra Leone and funded SAA, whose stated mission was to promote modern, mechanized and sustainable farming methods to lift subsistence smallholder farmers out of poverty. In 2018, SAA expanded to Ghana, where it mostly worked in the maize value-chain, in the Bono East and the Upper West regions. In the Bono East, SAA ran two parallel but integrated projects: what they called the ‘training farm’ and service delivery to smallholder farmers. In SAA’s plans, the training farm would serve as a centre of operations, a commercial farm and a training facility. The second part of the project consisted of inputs and service delivery to smallholder farmers. SAA would offer farmers a bundle of inputs, mechanization services, field monitoring, chemicals application and training on credit at the cost of GHC1,026 (around €120) per acre. As for the Upper West, SAA only implemented the service delivery programme and, in 2022, it started a parallel project to provide mechanization services to women farmers.

According to its staff, two main aspects distinguished SAA from other companies. The first was their vision of a ‘new African farmer’, a ‘modern’ farmer who would lift herself out of poverty, moving from subsistence to commercial farming. Central to this concept was the role of mechanization: the company imported a fleet of large no-till machines intending to create farmers’ cooperatives to whom they planned to lease them. The second was the focus on sustainable farming. SAA aimed to promote no-till farming, considered a beneficial method as it does not require ploughing, allowing the topsoil to regenerate and preventing the dispersal of carbon dioxide in the process of turning clumps.

As I argued in the previous section, however, understandings of ‘impact’ vary significantly within the impact, social and sustainable finance sectors, resulting in an indefiniteness also reflected at the organizational level. Framed

in different ways, indeed, the term impact was constantly mobilized by SAA's staff occupying different positions. Ghanaian field officers, who had direct daily interactions with intended beneficiaries, generally claimed they joined the company because they believed they could impact farmers' lives. During several interviews and conversations, the chief of finance, an Australian in his thirties, often underlined how the basis for building any form of impact was what he defined as 'economic impact', namely an increase in farmers' income. On the other hand, the manager of operations in the Upper West, an Argentinian in his mid-thirties, thought that impact could not be understood in economic terms alone and explained that, to him, impact was 'trying to convince the farmers to apply other technical tools ... it's a mix of knowledge, mechanization and teaching'.³ On his side, the Argentinian manager in the Bono East was primarily concerned with sound sustainable agricultural practices, while the head of the Monitoring and Evaluation (M&E) team, a young German in her thirties, had a particular interest in promoting gender equality and women empowerment:

We also know from a lot of studies that especially if you support women, this benefits greater the whole community compared to supporting men. ... Because of how women spend the income differently, because they focus on different things. ... It's not like we are doing this because it's nice, it's because we think if we can reach more women and start creating more opportunities for them, then we'll also achieve our goals as a company.⁴

All these different understandings of what 'impact' SAA was striving to produce on the ground underwent two interrelated processes. On the one hand, they both shaped and were shaped by discourses and practices around development and environmental and social sustainability; including the search for, and construction of, impact in statistical, technical and metric terms. On the other hand, once impact was constructed in this way, ideas around it were often crystallized in predefined formulas and standards to make them readable to business and financial actors. This was also functional in putting them into relation with mainstream discourses within policy and regulation spheres at the local, national and international levels. An example of such a process is the way SAA translated its impact objectives into relatable sustainable development goals (SDGs; see [Figure 8.1](#)).

In bringing together social and environmental concerns, SAA's narratives and representation of itself as a social enterprise also aligned with those

³ Interview conducted with SAA Upper West Manager in the Upper West, 4 March 2022.

⁴ Interview with the head of SAA's M&E team, 26 March 2022.

Figure 8.1: SAA and the SDGs

	Lift small holder African farmers out of poverty		Increased income for farmers, employment on the company's farm, creation of labour demand
	The new African farmer who will lead Africa to feed herself and the world		No-till farming Farmers as climate heroes
	African women farmers empowered with greater decision-making power through higher incomes		

propounded by impact practitioners and other mainstream discourses. For instance, the narrative of the ‘new African farmer’, with the trope of Africa feeding herself and its focus on technology and modernization, was in line with discourses around a ‘Green Revolution’ in Africa propounded by actors such as the Rockefeller and the Bill and Melinda Gates Foundations ([Rockefeller Foundation, 2006](#)). The vision of the ‘new African farmer’ insisted on the idea of adopting certified seeds, different technologies and chemicals to increase production, and rendering agriculture a business rather than a subsistence activity, integrating farmers in both national and transnational value chains.

In the context of impact and social investing, such developmental paradigms, with all their contradictions, come to be resignified in light of the search for (and for ways to demonstrate) impact, a process that materializes through the use of devices such as ‘impact evaluations’, metrics, classifications and taxonomies.

3. Implementing impact: the challenges on the ground

As the previous section shows, at least ideally, SAA’s interventions aimed to generate a win-win spiral in which investors gained from their investments while farmers sustainably improved their living conditions. However, as many ethnographies of development have shown, reality often challenges planners’ imaginaries when it comes to actual project implementation ([Ferguson, 1994](#)). In what follows, I will thus look at the ‘frictions’ ([Tsing, 2005](#)) resulting from SAA’s attempts at translating ‘impact’ – particularly environmental, economic and gender impact, as they intended it – into practice. Translation practices are crucial as ‘[t]he discourse and practices of impact investment exist thanks to the “translation” work carried out in diverse locations and fields by actors who reinterpret, support or sometimes also resist to the impact investing discourse and practices’ ([Introduction](#), this volume). While exploring these

dynamics in SAA's case, I will also point at how results and impact generation as foreseen by the company were at least uncertain.

3.1. Environmental impact

Regarding environmental impact, SAA's main goal was to implement sustainable farming practices, particularly no-till agriculture, and limit those considered unsustainable, such as burning land to clear the fields. SAA's main efforts in this direction were made in the Bono East, where it tried to use no-till machines on both the training farm and farmers' fields. Such a goal, however, proved difficult to attain for both logistical and social reasons.

At the beginning of my research, the operations manager in the Bono East was Francisco, a renowned Argentinian agronomist in his fifties. Concerning the logistics, he explained that one of the characteristics of no-till machines is that, having to sow in soils made thicker by the top strata, they are generally heavier and lower. To properly operate such machines required specific skills and thorough land preparation, while most fields in the district had quite irregular surfaces and presented bumps and shrubs. Such issues were acknowledged by SAA, and generated significant pressures:

What I saw is that even that other equipment was quite ruined. I think this is because of the soil in conjunction with lack of operators' skills. You saw how we suffered to provide them with skills, and you do that having to plant a given number of hectares per day, because both the farmers and SAA needed planting to be concluded before the rain stops. Then you have this pressure that we are struggling to solve.⁵

Another issue was represented by the average surface of farmers' land parcels, generally too small for no-till machines to be operated:

With respect to the machines that you saw us working with, I don't need to tell you that we suffered because they were not really adapted, also because they were not precisely new. ... We also contracted some machines by ...one of the best marketed in the world, but they were also very deteriorated equipment.⁶

The second element that affected the use of no-till machines was related to the socio-cultural dimensions of the areas of operations. Despite recognizing the importance of the social dimension in farming practices, rural development

⁵ Interview conducted with Francisco, 23 June 2022.

⁶ Interview conducted with Francisco, 23 June 2022.

actors often tend to adopt vocabularies and frameworks that separate the two in practice (Dove, 1988; Berry, 1993; Fairhead and Leach, 2005), and obfuscate the role of other institutional and international actors (Blaikie, 1985). This further exacerbated the technical and logistical difficulties that SAA encountered in the Bono East, and had significant implications for the ‘environmental impact’ the company was striving to produce.

To solve the issue of the small dimensions of farming fields, SAA aimed to create farmers’ cooperatives, a policy that reflected imageries of unity and a form of primitive communalism already criticized since the 1970s and 1980s (Dove, 1983). Such a goal, however, was never attained for several reasons. One was linked to the land tenure system. Except for a few important families, farmland was considered the property of local chiefs. Being the Bono East, an area that attracts significant internal migration, many farmers cultivated land that chiefs had given to them as usufruct, but which they could potentially reclaim at any time. While land retrieval used to be rare, especially in the case of families who had settled in the area for a long time, in recent years, the growing presence of agribusiness and companies looking to buy or rent larger plots resulted in an increased number of farmers being deprived of land. This process rendered the number of acres available to each farmer increasingly variable from one year to the next.

Moreover, due to existing property rights and land divisions, the acres that chiefs assigned to farmers were generally divided into several smaller discontinuous fields, often quite distant from each other. This implied that farmers did not always have the time and workforce needed to put them all into production, and often lacked the resources to do so, thus rendering the idea of grouping contiguous fields even more challenging. Further elements were represented by internal communal divisions –generally following lineages division and ethnic lines, especially in more composite communities – and general dynamics of trust and mistrust. Farmers were often reluctant to have strangers or potential rivals on their fields for fear of witchcraft, as they were to share details about their finances or get involved in others’ due to the potential consequences and obligations.

Confronted with the impossibility of using no-till machines, I asked Francisco whether smaller equipment existed:

There are machines that could be more adequate, they are also manufactured in Argentina. What happens is that SAA makes an effort, or at least used to do so, to push farmers to associate and strive to have a higher premium, because it is a fact that food agriculture is more effective on a larger scale no? So there is an internal debate among technics, what do we do? Until what point can we reduce the scale of operation? This hasn’t been clarified yet, because a 1.5 hectare farmer really loses a lot of capacity and sense compared to ten

farmers owning 15 hectares, each one with his own 1.5 hectare and they associate. This is a limit of no-till farming in Africa. So, SAA was aiming to do that, this is why it didn't want to bring smaller machines ... but now I think we saw there is a middle stage. That one needs to adapt ... I think you saw it, there is no other option than to adapt a bit to their scale and differentiate.⁷

Despite Francisco's final acknowledgement of the limits of SAA's vision, during my research, SAA did not change its approach, and no-till agriculture was never implemented on farmers' fields and only marginally on the training farm.

3.2. Economic impact

The absence of adequate equipment and capacity also resulted in the company providing its services with significant delays to many farmers. The Bono East region experiences two farming seasons based on rain patterns: the major season, when the rain falls between April and August, then a short dry season followed by the minor farming season, with the rain falling again between the end of August and the end of November.

In the context of rainfed agriculture, where timely access to resources and farming services is critical, the combination of issues in service delivery and external factors resulted in poor harvests. Delays thus compromised the attainment of the 'economic impact' SAA hoped to achieve through an increase in farmers' yields – which they viewed as directly related to increased incomes and food security. Scarce yields, in turn, translated into low recovery rates for the company, which, along with low production on the training farm, entailed financial constraints that delayed both the payment of salaries and the maize SAA bought in the Bono East. This delay produced a situation of uncertainty with severe consequences for farmers. When I met Naa, she was a mother of six in her forties who lived with two of her children and four grandchildren in a house built from dirt bricks with a metal roof. All the people in the household depended on her, and Naa's only income-generating activity was farming six acres⁸ of land, where she grew maize, beans and groundnuts. In the major season 2021, Naa registered three acres with SAA, which produced approximately ten bags of maize (130 kg) per acre, compared to eight bags/acre on her other fields. She decided to sell her crop to SAA and, after deducting the service cost, her gain was around

⁷ Interview conducted with Francisco, 23 June 2022.

⁸ One acre, according to local measurement methods, generally corresponded to roughly 1.5 GPS acres.

GHC6,000 (about €700), which she only received after several months. In addition to feeding her family and paying for ordinary expenses, she had planned to use the money to buy inputs to plant beans in the upcoming minor season and build an additional room in her house. When asked, Naa replied that payment delays affected her in several ways:

Number one, I planted maize apart from SAA, and I would not get money to buy inputs, like pesticides and fertiliser for that one. I planted beans also, I needed money for the spraying and other stuff, I couldn't do any of this. ... My children, some of them I have to pay school fees, so they have been sacking them from school. ... My husband had an accident, and we didn't have the money to go and pay. There was no money available. I also needed money to go to the hospital.⁹

For the approaching minor season, she took a loan from a local moneylender that she had to repay with high interest and the highest priority. For this reason, she could only purchase limited quantities of inputs for her beans, which she anticipated would adversely affect her future yield and hamper her from completing the new room.

I myself was asked by Kojo, a man I became pretty close to, to lend him money. He had not received SAA's payment for his maize yet, and only a few days were left before the time for planting would end. The case of Kojo is noteworthy since, while SAA's staff, including field officers, sometimes doubted some farmers' diligence, everyone considered him a very 'serious' farmer. He was SAA's 'best farmer' in the major season of 2021,¹⁰ a feat that was not repeated in the minor season due to delays in service delivery. The situation was even worse for those who incurred substantial losses, such as Kwame, a farmer in his thirties who lived with his wife and two children. I met him in the Bono East, after he had joined SAA for the second consecutive season with his wife. Due to the factors already mentioned, neither of the two seasons produced the desired results and after giving their yields to the company, they were still in debt by approximately GHC2,500 (€300).¹¹

Most of the farmers who registered for the 2021 major season in the Bono East ended up incurring debt or making no or little gains from the land on which they worked with the company. Even when SAA's interventions

⁹ Interview conducted with Naa, 20 November 2021.

¹⁰ As he told me, he had signed two acres, and managed to have more or less 11.5 bags/acre, which after deduction, earned him around GHC4,400 (around €530).

¹¹ While the ethnographic descriptions presented here concern the Bono East, in the course of our interviews, delays in inputs and service delivery, with consequent scarce yields and the necessity to acquire loans were also reported by farmers in the Upper West.

increased farmers' incomes, delays in payments and unclear communication resulted in the potential impairment of future income generation and further indebtedness. A long history of agricultural loans exists in West Africa, accompanied by social relations, obligations and expectations, including the potential for non-repayment and alternative forms of 'prestations' (Guyer, 2004). In a context where access to formal banking was virtually impossible, SAA's activities sometimes inadvertently increased indebtedness among farmers, exposing them to the harsh conditions often imposed by money or seed lenders (Bolten and Marcantonio, 2023).

3.3. Gender impact

A final aspect concerned SAA's attempt to design a more gender-focused intervention in the Upper West, where many women farmers had expressed difficulty in accessing land preparation services. This was due to several factors that resonate with the observations of many social scientists who looked at the role of women in rural development projects. Many studies point at the inadequacy of many projects' frameworks and actualization (Dey, 1981) and the need to look at intra-household and community gendered division of labour and resources (Hill, 2018). As Jane Guyer underlines, 'In most rural areas of Africa, access to productive resources and consumption goods is determined by activating a hierarchy of rights' (1986: 94), which includes gendered access to land, labour and resources, often overlooked by development agents. In the case of the Upper West, one of the factors influencing women's access to land preparation services lay in the gendered division of labour and resources within the household, as women were expected to fulfil specific duties.

- W4: It's a big challenge to the woman ... and ... if you didn't finish sowing your husband's place, you can't go and sow your place. So, your husband has to finish everything before you can also have a chance to go and sow your thing ... [interruption because of a lady passing by and greeting]. So, like, before you finish doing your husband's thing it's too late, so it's a big challenge, by the time you'll be coming, you are late.
- W2: You go to farm and work, and you go to farm and then you come tired! So, you go get the wood and come home, you will be too tired! You have to come and then you set fire, prepare food and other things. ... Rainy season you are always too tired. You work in the farm, work in the house. ... So, you are just working, no resting.
- C: So, the responsibilities of the women are ...

W1: Preparing the food, fetching the water for their husband to bath, set the fire, and then you do a lot of things, wash the children's clothing, yourself, your husband's, sweep, wash bowls, oh a lot!¹²

Another factor was the relative scarcity of tractors and operators when demand was at its maximum, and machine operators generally prioritized men's fields over women's. There were both practical and social reasons for this. The Sisaala of the Upper West were mainly Muslims and were organized in 'clans', as they called them, whose members tended to live in clusters of relatively contiguous hamlets. Marriage was generally organized based on clan exogamy, and virilocality, or patri-virilocality were the most common forms of residential unit organization. Thus, women generally married and lived in their husbands' communities. This implied that, being members by marriage, women often did not have direct access to land in the villages where they married, and often only had small portions of farmland granted by their husbands. Many of the women I met, moreover, lamented that men would only give them portions of overused and less fertile land:

W2: They [men] always give the leftovers, then the man will say that if they give you the new place and you farm and you get more things and you are richer than them, than you, the woman will not respect the man. Because you are rich. So that is why they will not give the new place to the woman to farm. They would rather give you the leftover. So like, if you yourself want a new place, you can give money to your husband and say, or maybe to my children, to get a place and then if there is a place the husband would say okay he can also get people to go and weed this place for you as a new land, but apart from that they won't, they will not agree.¹³

Limited access to financial resources played a role in women's difficulties in accessing 'new' and 'good' land since, as it has emerged from the excerpts, one of the issues was the lack of means to clear new plots. Moreover, in most cases, women were not supposed to ask their husbands for financial assistance to develop their land and could only rely on earnings from their own activities. As it emerged in several interviews, however, these were

¹² Focus group conducted with four SAA women farmers in the Sisaala West district, 6 April 2022.

¹³ Focus group conducted with four SAA women farmers in the Sisaala West district, 6 April 2022.

generally limited and were often used to cover family needs and partly claimed by the husband.

As a result of the combination of these factors, women generally had less fertile land and limited resources, which implied they generally had smaller fields than men, which made working with them less profitable, adding another reason for machine operators to prioritize men's fields. In this context, SAA partnered with another organization to provide land preparation services specifically for women. Due to practical and economic considerations, however, the decision was made only to serve women with larger plots, clusters of nearby fields, and to ask for upfront payment from them. As a result, only a few of the women who had shown an interest and whose names had been registered could receive the services, and the project reproduced the same barriers women encountered when seeking land preparation services locally.

4. Searching for impact?

When, in 2021, it became apparent that SAA could not cover its financial needs with the quantity of maize it collected from its commercial farm and the communities with which it had been working, the company started dealing in maize with other farmers in both areas. Due to the more favourable conditions, SAA decided to concentrate its capacity and resources in the Upper West and, in 2022, it closed its service delivery project in the Bono East. As for the Upper West, SAA stopped extending credit for inputs and began selling them directly to farmers. They would still use the word 'package' to refer to the product, since this would imply an ongoing relationship with the company and a connection with the future inputs they foresaw bringing to the communities. The idea of providing mechanization services was basically abandoned. At the same time, training was still foreseen on paper, but its actual implementation proved challenging, mostly because, without providing credit, it proved difficult to have farmers committed to attending training sessions.

To an external observer, SAA's changes challenge ideas of complementarity and non-mutual exclusion of non-financial and financial returns. In particular, these resulted in a renegotiation of expectations of 'environmental impact' through sustainable farming, and of 'social' and 'gender impact' both in terms of modernization through mechanization and target population. In light of such challenges, during my fieldwork I often asked SAA's staff whether they thought their impact ideas were reflected in the company's activities and achievements. Responses varied but, generally, they acknowledged SAA's intervention limits, but then claimed that the company had also made some achievements. This was accomplished by the use of narratives that mobilized what could be referred to as the temporal

and gradient dimensions of the impact that SAA intended to produce. The temporal dimension allowed SAA's managerial staff to postpone the impact generation to undefined futures and was expressed in several ways. First, CEOs and managers constantly mobilized narratives pointing at the fact that both no-till agriculture and farmers' 'acceptance' of different methods and mechanization needed time:

Persuading farmers is not easy ... it's not easy because it takes a lot of time. Because it doesn't depend only on the technical things. ... It's not easy, but we are here, trying to push and to do our best to make a change. But you always have to go step by step. That will take a lot of time, a lot of years honestly.¹⁴

Another aspect often pointed at was the lack of the required skills at the local level and the difficulties in terms of capacity building:

The issues are the soil and the lack of operators' capacity building ... you saw how we struggled to train them. Moreover, you have to train them while meeting the aim of planting a given number of hectares per day, as both farmers and the same SAA need planting to be concluded before the rain stops. And thus you have this pressure, and we are struggling to solve it. I think we're going to solve it, but it will take time.¹⁵

Finally, the socio-cultural dimension was often presented as a hindrance to social change:

I would like to see a different image for women. ... I would love to see women driving tractors, or tricycles. We are far away from that, but things are changing slowly. ... But it will take time. But if you have a woman driving a tractor and other men and women see it, I think it's great message.¹⁶

As for the gradient dimension, it mostly revolved around a rescaling in terms of targeted beneficiaries and projects' reach. In the case of SAA, such logic notably emerged with reference to the shift in target population that ensued from changes in the company's business model. A first instance was represented by SAA's decision to limit registrations only to farmers

¹⁴ Interview with SAA's manager in the Upper West, 4 March 2022.

¹⁵ Interview with SAA's manager in the Bono East, 23 June 2022.

¹⁶ Interview with the head of SAA's M&E team, 26 March 2022.

whose fields met specific criteria. Such an attempt was made in the Bono East after the unsuccessful major season of 2021. At that time, field officers were asked to only accept expressions of interest from farmers with larger fields, prioritizing those closer to the main roads and paths. Moreover, the preference was for fields that had already been destumped and cleared of trees and shrubs. Another instance was the decision to stop providing the bundle and other services on credit in the Upper West, which implied that only farmers with sufficient financial means could actually work with the company. As mentioned, this had significant consequences, especially for SAA's project aimed at providing mechanization services to women farmers, as only very few of them could afford such services.

These changes would inevitably result in an upward shift in the target population towards better-off farmers, who were generally already engaging in commercial farming. However, despite acknowledging that, for instance, the company would likely not be 'helping' the 'very poor' – those living on less than two dollars/day as stated in the company's documents and website – or having a specific 'gender impact' – as the project in the Upper West was aiming at – what they were doing was still 'something', which is a better result than nothing for those who could benefit from the project. In this respect, for instance, in response to my question regarding investors' agreement with SAA's changes to its business model and service provisioning, I was told that it was important to consider trading maize as an impactful activity, since it would provide a market for farmers contributing to their integration into national and international value chains – a consideration based on the criticized assumption that farmers are cut off from global markets (Rodney, 1972; Ferguson, 2006; Holsey, 2007; Moseley et al, 2015; Brooks, 2016; Rock, 2019). In the same vein, the provision of services that women generally lacked access to was still considered to have a positive impact, at least for those women farmers with the necessary financial resources. In general, SAA's staff kept framing the company's ability to provide farmers with better services and better access to inputs as being forms of 'impact'. Strained between opposite poles, thus, ideas of impact proved flexible enough to allow the involved actors to keep framing SAA's activities as 'impactful', precisely thanks to their hybridity (Quinn and Munir, 2017; see [Introduction](#), this volume).

Conclusions

This chapter followed ideas, negotiations and mobilization of 'impact' in their journeys along the intricate, non-linear paths weaving together the compenetrating dimensions of 'impact' discursive and narrative practices, and their practical realizations when these actually 'hit the ground' in the implementation of concrete projects.

I showed how SAA's mobilization of 'impact' in the representation of its identity as a social enterprise aligned with impact and social finance proponents' narratives and worldviews, which allowed the company to tap into portions of the capital markets that would otherwise be unavailable. At the same time, SAA's impact narratives aligned with dominant national and international policy discourses. Paradigms that have characterized agricultural development for decades, such as the 'technological civilizing mission' (González, 2001: 102) and the 'Green Revolution' for Africa, are still reflected in policies such as the SDGs and are resignified in impact and social investments through the use of devices aimed at defining and measuring impact.

At the level of project implementation, however, several factors hampered the attainment of SAA's stated impact goals, pushing the company to adjust its business model and strategies in ways that appeared to challenge impact and social finance's ability to effectively pair financial returns with non-financial outcomes. In this context, the generative potential stemming from 'impact' indefiniteness emerged with force. 'Impact' became a signifier whose referent varied and was constantly redefined. In particular, I pointed at the gradient and temporal dimensions of 'impact' manipulations at the organizational level, showing how 'impact' proves to be a sufficiently flexible concept to be adapted to the practical contingencies of implementers such as SAA. 'Impact' indeterminateness, indeed, provides practitioners with the flexibility they need to face challenges on the ground without leaving the ethicalized space of 'impact' (see Burnier, Chapter 10 this volume). Conversely, however, it risks concealing the actual achievements, limitations and consequences of such investments, which might end up reproducing existing power relations (see Christodoulou and Banerjee, Chapter 9 this volume), and unequal patterns of wealth and capital accumulation at the global level.

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Relational Work and Power in an Emerging Market: Local Understandings of Impact Investing in Nigeria

Elena Christodoulou and Shonali Banerjee

Introduction

Markets are arenas with informal rules guiding the exchange between givers and takers (Fligstein and Dioun, 2015), and ‘the market represents the central institution in capitalism’ (Swedberg, 2005: 429). For a process of capitalism to function, the importance lies not in the size of the profit but in the chance for greater profit to be created, which can then be reinvested (Swedberg, 2005).

The practice of channelling capital to create social and economic value has a long history. Faith-based organizations, charities and cooperatives have operated for decades or centuries, however the past two decades have seen an emergence of institutional arrangements to fill a funding gap, giving rise to the social finance market (Nicholls and Emerson, 2015). Social finance is a case of marketization and encompasses various financial instruments, including socially responsible investment, social impact investment, social impact bonds and venture philanthropy (Langley, 2020).

Investments entail risking financial capital for a potential financial return, but as explored by other authors in this book, impact investing goes one step further to encompass the measurement of impact. Impact investing is proactive in the sense that impact investors intentionally seek organizations that will generate financial returns and make social or environmental impact (Quinn and Munir, 2017). Impact investing is often portrayed as venture capital that could address pressing world problems, bringing positive

changes to poverty, education and homelessness, among others (Cohen and Bannick, 2014).

The growth of ‘concerned markets’ such as impact investing relies on the premise that philanthropic capital and governments are not able to solve development challenges (Barman, 2020). The International Finance Corporation (2021) claims that impact investing is a ‘small market niche, but one that is attracting growing interest’ (p 1). Impact investing is positioned as an asset class, which explains the focus on evaluation (Jafri, 2019) and has been normalized through public-private partnerships and blended finance approaches (Kumar and Brooks, 2021).

As elaborated in the Introduction of this book, hybridity is neither good nor bad in its essence, but it has the potential of making some people benefit or lose from settlements deriving from hybridity. For example, the introduction of the impact investing label in the emerging market of Uganda acted as a political device causing unintended consequences to the ones it was intending to serve (Quinn and Munir, 2017). Power is a central construct in understanding society (Haugaard and Clegg, 2009) and its uses have been neglected (Munir, 2015). However, power cannot be overlooked if the aim is to explain the economy (Granovetter, 2017), and social ties among people can facilitate or impede economic activities (Zelizer, 2012).

Whether economy and society are separate spheres, affecting each other, or intertwined has been a topic of scholarly attention in Economic Sociology. In the seminal book *The Purchase of Intimacy*, Viviana Zelizer (2005) provides three ways in which people view economic transactions and social relations. The first is through a ‘Separate Spheres and Hostile Worlds’ lens, where intimacy and economic aspects must separate to avoid contaminating each other (Zelizer, 2005). Another approach the author mentions is the ‘Nothing-But’ formulation, where its proponents reduce social relations as only a result of economic rationality, culture or politics (Zelizer, 2005).

However, the ‘Hostile Worlds’ and ‘Nothing-But’ approaches simplify sociality, while the third, ‘Connected Lives’, adds nuance (Bandelj et al, 2015) by considering how social relations entail ‘shared meanings, operating rules, and boundaries separating one relation from another’ (Zelizer, 2005: 33). According to (Zelizer, 2012: 146), in economic actions:

[P]eople engage in the process of differentiating meaningful social relations. For each distinct category of social relations, people erect a boundary, mark the boundary by means of names and practices, establish a set of distinctive understandings that operate within that boundary, designate certain sorts of economic transactions as appropriate for the relation, bar other transactions as inappropriate, and adopt certain media for reckoning and facilitating economic transactions within the relation. I call that process relational work.

The relational work lens is versatile and applies to both morally laden economic exchanges and everyday economic transactions. For example, it has been applied to studies on sexuality, sex work and gender (Ashraf and Pianezzi, 2023), egg donations (Haylett, 2012), creative work on digital labour platforms (Alacovska et al, 2022), the relationship between human and non-human actors (García, 2014), the maintenance of momentum in public-private partnerships (Evald et al, 2023) and poverty (Mosse, 2010). In philanthropic donations, Lainer-Vos (2014) used relational work to understand how organizations negotiate the obstacles of monetary donations to co-ethnics in diasporas. This approach, the author argues, led to constructing gift-giving mechanisms that bind together a large number of people who have no personal acquaintance.

When it comes to impact investing, however, the investee understandings surrounding this exchange have not been adequately studied. Money is not neutral and receives its nuance from its users (Zelizer, 2017). To understand what is at stake, this chapter draws on 20 interviews with entrepreneurs in Nigeria, unravelling the expectations and appropriateness of mediums of the social relations involved. It presents what is eventually understood when investees seek, negotiate and receive impact investments, as well as how power asymmetries occur in market exchanges. A relational work lens reveals ‘how actors manage the connections across social relations, economic exchange, and media of exchange’ (Bandelj, 2020: 267). This chapter concurrently explores and presents the construction of meaning by investees, relationality, and the power asymmetries between investors and investees.

The next section, titled ‘Setting and situated institutions’, outlines the methods and data-collection process undertaken for this research and provides information on the context of the entrepreneurial activities. The following two sections of this chapter present the interview findings. The section ‘Aligning social relations, expectations and mediums’ shows the relational work taking place in impact investments, including how social relations might start, the expectations of the people involved, and how different mediums are matched. The subsequent section ‘Mismatches and frictions’ presents cases of how social relations are mismatched or ruptured, the experiences of investees with impact measurement, and how relational work produces different costs that were not apparent when the social relations were matched. The final section, ‘Concluding remarks’, summarizes the main argument of the chapter and provides further research directions.

Setting and situated institutions

This chapter is part of a broader study on impact investing in Nigeria, which focuses on how impact investing and philanthropy can better address the needs of local investees. In the Nigerian context, impact investing remains

a nascent practice and is rarely the main funding stream for social purpose organizations ([Christodoulou and Banerjee, 2022](#)). Support in accessing data for this project was provided by the Impact Investors Foundation, a convening body that promotes the growth and culture of impact investing at a national level, and Chapel Hill Denham Nigeria SME Limited (commonly known as ‘SME.NG’), the country’s largest impact investment platform for women and youth-owned businesses.

The chapter presents local understandings of entrepreneurs in Nigeria, gathered through semi-structured interviews with 16 women and four men entrepreneurs who are executives and founders of social purpose organizations. The interviews were conducted between 2022 and 2023 and focused on gleaning local understandings, definitions and challenges of accessing impact investments.

Criteria for the interview sample included geographical and sectoral representation of organizations and different degrees of experience with impact investing. The sectors of activity of the social purpose organizations interviewed include renewable energy, circular economy, fashion and creative industries, technology and supply chain, agriculture, services and pharmaceuticals. These criteria were shared with the local partner organization SME.NG, who circulated information about the study to organizations and made recommendations based on their in-depth knowledge of social purpose organizations in Nigeria.

Given the prevalence of impact investing studies focused almost exclusively on supply-side voices, few studies have considered the recipients of impact investments (see [Höchstädter and Scheck, 2015](#)). Interviewing recipients of this financial instrument highlights the lived experiences of investees and perspectives that may otherwise have been overlooked, while giving voice to marginalized or underrepresented groups.

During interviews, the entrepreneurs described the impact investments they receive, how they define impact investing, and the key elements needed to define a funding opportunity as an impact investment. They also discussed their experiences with impact investors and described the financial and non-financial support they received, along with any challenges they faced in pursuing impact investments or while delivering their projects. To protect the anonymity of interviewees, the names included in the following sections of this chapter are pseudonyms.

Nigeria is one of the fastest-growing economies in Africa, holding the highest Gross Domestic Product (GDP) in 2022 ([Statista, 2023](#)). The African Continental Free Trade Area (AfCFTA), the world’s largest free trading zone of which Nigeria is a member, came into effect in 2021 and could bring an income of \$450 billion into Africa ([EY, 2022](#)). However, despite promising capital flow, the lack of political and economic stability in Nigeria remains a challenge ([Impact Investors’ Foundation, 2019](#)).

Although new social finance schemes such as impact investing have been welcome, they seem to be an insufficient solution to financial struggles. In a 2022 report, Christodoulou and Banerjee revealed that Nigerian entrepreneurs do not use impact investing resources as the main source of funding for their organizations; in fact, the money from impact investing barely allows these entrepreneurs to keep their companies moving forward. The findings in this chapter present the context and financial situations of entrepreneurs interviewed for this study.

Interviewees revealed how situated institutions form the context of economic exchanges and how they relate to accessing financial capital. The situated institutions that entrepreneurs highlight include the government, religion and culture, and family. For example, when renewable energy became a prominent economic sub-sector, the Nigerian government may have been insufficiently supportive. The ventures entering the renewable energy sector have had a challenging experience and limited support from others. However, these ventures are willing to share their knowledge and experience with peers to avoid any pitfalls. In other cases, any governmental intervention or policy that affects the economy could also trickle down to recipients of impact investments. Investees are targeting the metrics of their impact investments and have to explain to their investors why certain goals or benchmarks cannot be achieved.

In some situations, tariffs can add additional costs for investees. Entrepreneurs argue that these tariffs should be removed in essential sectors such as renewable energy, particularly in a country facing energy scarcity. Abaeze mentions a 20 per cent import duty imposed and argues that ‘anything that is going to support the production of electricity should actually be on that zero-duty, you know, regime, but the government just wants to make money and of tariffs and everything’.

While the law in Nigeria poses certain restrictions and exacerbates inequalities among entrepreneurs, culture at times may also impose a law-like restrictiveness. Studies have shown that when women have higher incomes, they compensate with more household duties to meet the typical gender-based expectations (Brines, 1994). In this study, several women entrepreneurs reflected having two or three jobs at the same time to finance their organization.

The perspectives of women from northern areas of Nigeria have also revealed how access to finance more broadly becomes prohibitive for many. Creating a venture or asking for one’s name to be on the property has the potential to cause conflict with one’s spouse or immediate family members. In many instances, women are culturally unable to hold property in their name.

Interviews further revealed the challenges women face in accessing finance, inheritance or other assets from their families. Accessing economic opportunities is particularly challenging for women who live in underserved

communities. Women are expected to stay within their community, and even if they are the firstborn, the family inheritance moves to a man:

Like I said earlier, religion, like the north in Nigeria, most of them do not want their women to leave their community. The women most times stay at their community. Some of them are not educated. ... [E]ven if the female is the firstborn, they will give the land property to the man because he is the man of the house. So most men, high income, low income, they have access to opportunities. (Odachi)

In other cases, religious values also affect investees' selection of investors. Certain informants emphasized how important it is to align values with investors. Integrity plays a central role which could lead to a mismatch of social relations if not met:

For me, our company, it's a Christian-founded company. We have, you know, core values of integrity, the fear of God and stuff like that. So, if an investor comes down and says okay, we're giving you investment but, probably [they have] some kind of movements that do not align with our own values is behind that investment, we will not be likely to take that investment. (Abeke)

Family, conversely, is both a source of funding for some entrepreneurs and a constraint for others. Mosse (2010) adopted a relational approach to poverty and argues that poverty is seen as the characteristics of the poor. However, the author argues that it exists in socio-economic systems, and people become poor in their relation to others. When it comes to the economy, even small-scale transactions are vital, such as in remittances from wealthy to poor countries and from one generation to the next, with such an exchange leading to or sustaining inequalities (Zelizer, 2007). On an even smaller scale, Rao (2022) shows that economic decisions are gendered and reproduce inequalities in families.

It is not only the social ties between the entrepreneurs and investors that affect the potential of ventures to access investments, but also other intimate social ties that help the entrepreneurs grow their venture. Individuals of a high socio-economic background have greater access to funding for their enterprises and, in a few cases, family members take stakes in their organization. Ugochi says: '[W]e have to have a friend invested in the business for some shares in the company', while Damilola reflects that after getting married and having kids, she felt the challenges of work-life balance. Damilola wanted to wait four or five years before getting pregnant again because she had to push the business forward. Understanding how

challenging it can be for an organization when the CEO is travelling or is away for other reasons, Damilola remarks: ‘So we are kind of putting some systems in place, like standard operating procedures in place such that even if I’m not there the business should run.’

It is not only intimate social ties, however, that play a role in accessibility of funding. As interviewees elaborated, particularly for women-led enterprises, taking care of family restricts them from opportunities that could increase their access to finance. Informants note that networking facilitates access to finance, and compared to their counterparts, women entrepreneurs do not network as much as men.

Aligning social relations, expectations and mediums

As mentioned in the previous section, situated institutions alter the playing field. Women entrepreneurs are disadvantaged in accessing loans since a person is required to have capital in the form of property or collateral to access the investment. Inheritance is also seldom passed down to women in Nigeria. Other times, even if women financially invest in buying property with their husbands, the document may include only the husband’s name and exclude the wife. Collateral is not a requirement for accessing impact investments. However, having a history of securing previous funding holds a distinct advantage in the eyes of many impact investors. Consequently, if women have not previously accessed many grants, received loans from banks or support from the government, or have little previous financial track record to show investors, then the social relation may be misaligned, especially when competition for these funds is high.

Initiation of the investor–investee relationship

Before outlining the alignment of social relations, the emerging possibility of social relations also has boundaries. The asymmetries of power are evident from the options to initiate an investor–investee relationship. The possibilities to initiate social ties affect how the impact label will be enacted. Investees mention that accessing impact investing capital has been challenging, with pressing issues in identifying opportunities and the organizational relevance to investors’ portfolio priorities. Impact investors might be sector-specific or area-specific; these approaches to impact investment show that investors may tackle certain inequalities while unintentionally creating others.

Impact investing looks at the organization’s intended impact and aims, such as reducing inequalities in the given community. An example given by an interviewee was children in rural areas having access to electricity like their counterparts in urban areas do. However, even if an organization is

doing impactful work in their community, they might still be excluded from accessing the information on financial instruments such as impact investing or from being eligible to receive them. Financial innovation can generate an asymmetry of information, which also creates a distance between knowledge and power between those who are members of a given category and those who are not (Quinn and Munir, 2017).

For example, several Nigerian regions receive fewer investments based on perceived risk. Investors may prefer not to invest in northern Nigeria due to its current political and economic instability, and risks to public safety. However, an entrepreneur in this region pointed out that her area is safe and very well connected to other cities and with great market opportunity, but impact investors are not coming to the area: '[P]erhaps they need to come here and sit here, [do] physical verification, assess the business environment, talk to the businesspeople here; perhaps they will feel encouraged to invest' (Adetutu).

Conversely, gender-lens investing has been reducing unequal access for women entrepreneurs. Some of these entrepreneurs even mention being strategic about the investments they receive, particularly targeting women-focused financial instruments and investors to keep their organization growing. Eneh highlights that she does not face challenges due to gender because her impact investors are women-oriented, and she feels privileged to have this access.

Another power asymmetry presents itself when investors create accelerators or competitions for entrepreneurs, and they invest in those that fit their criteria the most. When this happens, a social relation can be aligned when an entrepreneur's objectives match those of the investor, but the starting point is the objectives of investors, not investees. However, as reflected in the interviews, an investee initiating a social relationship with a potential investor is challenging. As Ibrahim conveyed:

[T]here's actually a plethora of impact investments around, in theory, but what I'm not sure I've seen is a database of all of them. Like there's no way I can literally go on Google and say okay, impact investing for solar [energy] and I see a full list of everybody on there, saying 'this is what we would expect from an impact investment and this is what our targets are', things like that.

Another power asymmetry was implicitly mentioned by an entrepreneur when given a hypothetical scenario of a future investment. Being aware of what investors are looking for, the investee mentions that other people would be willing to work around what the investor wants and to structure the impact investing relationship around the investor's expectations and design projects based on what the investors would like to invest in.

Investment as partnership

When defining the social relation and marking boundaries, investees exhibit a constant request for the social relation to be one of partnership rather than merely a market exchange. The power asymmetries between an investor and an investee were evident throughout this study. However, the discourses and narratives of local entrepreneurs show their desire for a balanced, egalitarian relationship when it comes to impact investing. An impact investment goes beyond the exchange of money and takes the form of a relationship in which the investor plays various roles, that of the funder but also an adviser or partner.

Even if the deal is agreed – in the case of impact investment the deal entails the money and the amount expected – investees expect non-financial support to accompany the financing, taking the form of symbolic capital. This symbolic capital includes access to the investors' network, technical support for the organization, guidance on business development, and increased visibility. Investees expect the investors to care about and show interest in their organization. From their perspective, an impact investing relationship entails going beyond just the money. In the investor–investee relationship, not only economic capital is being exchanged, but also non-financial capital.

Investees further expect investors to have a good understanding of Nigeria and their specific sector, and to provide them with technical support. Given the symbolic capital of investors and the networks they possess, investees envisage investors leveraging their stakeholders to help their investees grow and achieve impact. Investors may choose to do this by introducing investees to potential clients or other actors who could prove valuable for the organization and its long-term impact.

When investors approach the social relation focused only on financial aspects – with effectively a 'Nothing-But' approach – while investees arrive with an 'Economic Lives' approach where they have expectations for the social relation to be beyond money, then investees are often left dissatisfied. Even in the case of grants, where there is no expected financial return for the funder, investees argue that 'the essence of the grants, it's not just to give you money. No. The mentoring is there' (Aisha).

Clarity around expectations also plays a role in the matching of social relations. Uchechi mentioned that impact investment terms and conditions should be simplified and take less time to go through, while Adamma said that the terms and expectations are clearer and more well-defined with grants than impact investments. That could, perhaps, be the reason why Adamma has not chosen to pursue impact investments to date.

In most impact investment cases, the boundaries of the social relation are agreed at the beginning when the terms are negotiated:

Most times it's actually [that] they request [we] send some things and from what we send to them, they design and develop the boundaries. So, this is the call for application and in the call for application we are putting some things. So, they use those kinds of information that they have put there. Those kinds of information that we have actually provided, they now use it to develop our deliverables and the terms and conditions. (Eneh)

Agreements and combination of mediums

Investees expect an investor to be a partner who wants to support the venture in achieving its intended impact. The investor is expected to have a hands-on approach and offer any financial and non-financial support available, which are the mediums of social relations. At their core, these mediums must aim to help ventures grow and increase their impact. They often take the form of financial or technical advice, business development or marketing support, providing visibility to investees, and helping investees increase their network and market opportunities.

For example, in several impact investments mentioned by the entrepreneurs, the funds for business development, technology and marketing support are not given directly to the investees but are being carried out by investors themselves who pay experts and consultants to assist investees. Ideally, an investor will have experience in the investee's sector or business area and be willing to provide advice; and absence of this willingness can be detrimental to aligning the social relation.

We all have these financing instruments on the table, but what is mostly important to us is really to have the right investor as a partner and meet the right investor. The kind of work that is being done by start-ups is not always just to raise money but also to have an investor who will help you make productions, improve systems, structure, and processes of the company, that has a wealth of knowledge and experience in the area that you are trying to make change. (Akin)

Investees define impact investments as those where the investor is intentional about the intended impact and frequently call the financial capital 'humane' or 'patient'. In Abaeze's words, impact investing should be about 'the people centredness of that impact idea, such that it makes total sense to a better world for the future, for the children, you know, our future' (Abaeze).

In Zelizer's (2005) book, a social relation involving economic transactions can also involve other mediums, such as gift exchanges. This chapter further contends that combining means does not provide an added layer of complexity but allows the parties to match a social relation easily, given

that the medium is considered appropriate. Combining means is not only possible but expected since providing the right amount of funding and agreeing on the interest rate is not enough. Investees expect investors to ‘care’, adopt a hands-on approach, and provide technical support, mentoring and network access. Investees expect investors to be intentional when it comes to impact.

Disagreement over the medium or the form of the medium can lead to a match or mismatch of social relations. In the case of impact investing, various understandings exist around what form the medium should take. For example, some investees prefer debt as it allows them to have more freedom and control over their organization so they can oversee the future progression. In the case of debt, a below-market-rate or zero-interest loan is expected by investees as impact investments are understood to be those that accept below-market-rate interest and are much more focused on impact compared to traditional investments.

When asked about their experience with impact investments, several investees classified convertible loans as impact investments, a categorization also observed in certain funding opportunities provided by SME.NG. Investees often show a preference for convertible loans, notably when contrasted with conventional loans that typically demand higher eligibility criteria for access. These convertible loans serve as crucial initial capital, enabling organizations to finance their daily operations and undertake large-scale expenditures, such as buying equipment, thereby propelling their progress.

Others, however, prefer equity over debt. These entrepreneurs claim that equity signals interest in the organization and proves a willingness for a longer-term relationship between them and investors, compared to debt. Investees believe that debt is used by investors with a ‘Hostile Worlds’ approach, engaging in impact investments only to receive financial returns. With equity investments, a ‘Connected Lives’ approach is visible as investees expect the investors to become actively involved in the organization, adopting a hands-on approach long term. When an investor has equity in an organization, that means – in the investees’ terms – they will bring their technical experience, provide new ideas to the organization and connect them to their network.

Mismatches and frictions

Whereas the previous section focused on the alignments and boundaries around the social relations formed during an impact investment, and the expectations of individuals, this section shows how power dynamics can turn into frictions that lead to a misalignment or mismatch of social relations. Power ‘cornerstones’ are the interlocks found when the parties involved

are forming their relationship and trying to align their definitions of the relationship along with individual expectations.

Disagreement over these aspects can lead to unmet expectations of one or both parties involved, affecting the social relation and the potential for similar social relations to emerge in the future. Power cornerstones in this study include the requests of high-interest rates or equity, unmet or high investor expectations when measuring impact, and hidden costs that were unaccounted for in negotiations but may make an impact investment less valuable.

Relational mismatch

As demonstrated earlier in this chapter, investors and investees align their social relations, mark the boundaries by setting the terms and expectations at the beginning of the impact investment, and agree on the mediums of exchange and the form these will take. However, the form of the medium can cause friction when considered inappropriate. Money is not neutral (Zelizer, 2017); it carries sociocultural meanings along with expectations. The equity rate expected by investors can either be seen as interest in the relationship formed or as an abuse of power if the rate is too high.

A case where the medium is found inappropriate and disrespectful was explained by Odachi:

Most of these big investment platforms will want to give people that have maybe big traction, you understand? They're not particular about impact. ... I've not really gotten funding from institutional investors. They think you have good traction and one investor reached out to me and said he was going to give me 4 million naira and take, like, almost 40 per cent of my business. ... I was so annoyed. I don't even know, I couldn't respond to him. Because before I started [organizational name redacted] I worked in the financial service industry. ... Even just looking at me as the founder, my wealth of experience, then going into different communities, trying out different initiatives for women, do you think it is worth 4 million? It was insulting.

A case where a relationship had to end is that of Kaima, who engaged in an impact investment in which the investor prioritized geographical expansion. Kaima's enterprise partnered with another organization to make this happen so they could meet the expectations of the impact investor. However, this was a challenging experience in practice, and since the pilot was self-funded by Kaima's organization in their efforts to prove themselves, Kaima's organization decided to step back for reputational maintenance.

Impact measurement

One of the main characteristics and differentiating factors of impact investing is its focus on measuring impact. Most entrepreneurs mention that they can meet the targets since these are set at the beginning of the relationship. However, on a few occasions, reality does not reflect the initial plan. When expectations for both parties are clear from the start, Ugochi argues, it is easier to work with impact investors. Ugochi's organization has meetings with the impact investor every four or six weeks to ensure that everything is on track, and the investor regularly asks if they need any assistance.

Abeo highlighted that most of the time he could meet the metrics, but at some point, the percentage of a metric was different from what he was expecting. He further argued that impact investors also have to write reports themselves. Having to reconcile the planned actions with what eventually happens is not an easy task, and Abeo insists that there needs to be understanding and an open mind from both the investor and investee.

Kaima also shares a story where her organization under-delivered on the number of people it had to train. She further contends that she and her colleagues were asking themselves in an honest manner whether they could deliver on an impact investment before accepting it since under-delivering would damage their reputation.

In another instance, Adejoke questioned what constitutes the investors' metrics. She argues that if a measurable social impact is the goal, then demography should also be part of the impact investing design:

And the way we're looking at impact investing, we're looking at investment that is made with an intention, so it's to generate something positive, and it needs to have measurable social and environmental impacts. If you want to measure social impact, you need to even look at the demography, how many women we have playing in this space? The moment I look at the numbers and see that the numbers are skewed, I'm going to ensure that I have a level playing field that will set maybe a lower standard, not just a lower standard, maybe something that will help women too. (Adejoke)

Even when social relations initially match, the boundaries are not rigid but subject to continuous negotiations in the same way 'every market depends on continuously negotiated meaningful interpersonal relations' (Zelizer, 2007). For example, renegotiation becomes necessary when inappropriate requests arise, disrupting the alignment of the relationship. Without specifying the type of investor, a woman entrepreneur mentioned that a man interested in investing in her organization was expecting a sexual relationship to be part of the social relation, which she found inappropriate, and hence the social relation was

mismatched. Even if the medium is agreed upon, which in this case was the amount of money, and all parties have agreed on equity versus debt, pushing the boundaries can cause a rupture and, hence, a misalignment of the social relation.

Creation of hidden costs

When the social relation is aligned, and investors and investees engage in relational work, the relationship formed can also lead to consequences that were unexpected when the two parties were negotiating the terms and boundaries of their arrangement. The consequences that come from the materialization of the economic exchange act as ‘hidden costs’ and are usually incurred by investees.

One example is the time and effort investees spend to secure and maintain social relations. Accessing impact investments or grants is a time-consuming and discouraging process since it takes many funding applications just to secure one fund. Once the alignment of investors and investees starts taking place, the investees must go through lengthy, and at times demanding due diligence. This process compels investees to comply with sometimes rigid criteria and perform at the level expected by the investors, usually termed as investment readiness. Investees learn how to prepare their documentation to ensure they meet the investors’ expectations. The actual disbursement of the impact investment depends on the investor rather than the investee. Delay in disbursement is the time between the agreement of the investment and actualization of the investment, in other words when the arrangement starts.

Many investees mention that they experience delays, with extended periods of time passing between agreement and actualization. In the time between these moments, other macroeconomic factors, such as inflation, alter reality. The naira-dollar exchange rate is yet another hidden cost that investees must bear, which is further exacerbated by the presence of inflation. As Aisha indicated, the amount of money that was agreed with her investor will not even allow her to import the number of items she was anticipating at the current exchange rate. The currency fluctuations between agreement and actualization in this case made the impact investment much smaller and less impactful than initially expected and agreed upon.

In addition to macroeconomic factors, entrepreneurs face numerous biases. In one instance, a woman entrepreneur talked about her experience with impact investments and how men were not expecting her to be the CEO. Eneh emphasized the effort needed to prove herself to impact investors:

Okay, so being a woman in business, what I say is that I actually improve myself more, because there are doubts: ‘Can a woman read, can I achieve this, can I achieve that?’ So I actually have to put in

more effort to prove myself or to prove to the world and to prove to investors that I can do it, and I can do it right. (Eneh)

To summarize, investees prefer impact investments over loans from banks as their requirements and expectations are more achievable and allow them to focus on their impact. The challenge of accessing funds is partly due to the criteria needed to access finance in the first place. However, these criteria also entail other inequalities. As this chapter has shown, women entrepreneurs might not be able to access loans as easily as their male counterparts, since loans might require proof of a large sum of capital or property, which are held in the name of the husband even if women have financially contributed to the property.

Moreover, having a track record and being investment-ready are highly valued by impact investors, which then creates a vicious cycle of unequal access to a resource due to other inequalities that exist in the context of the entrepreneurial activity. Whereas impact investments have fewer rigid criteria than loans by not requiring a mortgage or availability of money, women-led enterprises still face challenges in accessing social finance, except in the cases of gender-lens investing. Although this study explored unequal access to resources, particularly due to gender and geography, more inequalities that might not be visible could be affecting access to resources (Bapuji et al, 2023).

Concluding remarks

Impact investing is neither a solely impersonal economic exchange between investors and investees nor a plain social encounter. This chapter has focused on the meaning and interpretations of the impact investing label and how it is enacted by its users who engage in relational work. By examining the emerging use of impact investments as a funding source for entrepreneurs in Nigeria, this chapter adds new knowledge to the growing body of work on impact investing in emerging markets, particularly highlighting the experiences of investees.

Focusing on the relational work of investors and investees and how they match their social relations, evaluate the appropriateness of the financial terms, and adopt media to facilitate the exchange and meet their expectations, this study has shown when impact investments generate value for investees and how power dynamics might give rise to costs that are not accounted for in negotiations. It has, therefore, explored power, inequality and misalignments (Bandelj, 2020) and explained the interlocks that can alter a social relation and affect any future reoccurrence of investments.

Many women-led organizations interviewed find it challenging to access impact investments but to a lesser degree than traditional loans. However, they often emphasize the barriers to entrepreneurship in the first place.

Securing initial funding is a challenge, and impact investments are rarely, if ever, their first funding choice. By exploring the local understandings of entrepreneurs in Nigeria and the challenges of women in accessing finance, this chapter makes inroads into the reconciliation of gender and economic sociology (Zelizer, 2012).

Given the limited body of scholarly work on impact investing in emerging markets, particularly from the investee perspective, future studies should explore the barriers to impact investments or entrepreneurship if or when impact investing becomes a mainstream funding option in places like Nigeria. Moreover, additional research in this area will provide added value towards understanding the effects that an impact investment can have on organizations based on the time deployed and the phase the organization is in when it receives the investment.

Since impact investing is not yet widely used in Nigeria and experiences are limited, it is neither possible to assert at this stage that entrepreneurs have equal access to this financial vehicle nor that this financial instrument produces more inequalities than other funding sources. Blended finance instruments, such as low-interest and convertible loans, are understood as impact investments and are commended by local entrepreneurs. The relational work that investors and investees engage in and how impact investing is enacted can either make impact investing an enabling force that speeds the scaling of a social purpose organization or thrust invisible costs on investees, questioning the transformational potential that the impact investing label claims to offer.

Analysing these findings through a relational work approach offers nuance on how a social relation can be aligned between investors and investees, pointing to many other factors beyond the business skills of investees. Given that the entrepreneurs in this study predominantly receive impact investments from international organizations facilitated by a local intermediary, further research could explore the relational work taking place when impact investing is deployed by community actors and locals to compare those findings with the findings generated in this study.

Investees encouraged the creation of more equal relationships and partnerships with investors around the economic exchange that goes *beyond just money* and involves non-financial support. Power dynamics, however, can create additional invisible costs that reduce the value of the investment for investees. Frictions subsequently arise, which may cause the investees to retract their organizations from the investment.

Subsequent studies that incorporate both financial and non-financial aspects of impact investing and examine impact more holistically would be beneficial, along with the direct and indirect implications of impact investments. Given that this study focused on the investor–investee relationship and relies on retrospective accounts of impact investing, future

research focusing on micro-interactions between investors and investees could enhance understandings of how impact investments are negotiated as they occur.

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The Impact of Ignorance: Sustaining Impact Investing's Fictional Expectations

Daniel Burnier

1. Introduction

Proponents of impact investing promise a world where financial markets ‘work for people and the planet’ (Global Impact Investing Network, 2018; Burnier et al, 2023). Part of a broader trend of ‘caring capitalism’ (Barman, 2017), impact investment promises to fundamentally change finance by directing investments towards ventures with positive environmental and social impacts. Using finance to contribute to solving humanity’s ‘grand challenges’ such as climate change, impact investors make the double promise of a financial return and a *measured* social or environmental impact. This double promise is a crucial component of impact investing’s appeal or what could be termed, using Beckert’s (2016) expression, its ‘imagined future’. In their competitive struggles for investments or clients, economic actors develop and manage imagined futures embodied in stories, projections, numbers and calculations that are all mobilized to structure present actions and attract resources. Fictional expectations do not have to be true to exercise influence on present investment decisions, but they must appear convincing (Beckert, 2013). To make their promise more credible, impact investors argue that their ambitious goals are rigorously empirically assessed, with the help of metrics. They claim to be committed to developing rigorous and standardized accounting tools to measure social and environmental impact, and believe this to be crucial to develop this fast-growing market and attract more investors and capital (Rodin and Brandenburg, 2014: 57). In other words, the credibility of impact investment relies on rigorous impact accounting as the key component of its fictional expectations. Yet such

impact metrics face the resistant and complex material reality of the social and environmental world and the nitty-gritty difficulties of empirically assessing the ambitions of impact (BlueMark, 2022). How can impact investing professionals make their promise of measured positive impact credible given these widely acknowledged discrepancies? How does this promise play out in different contexts?

To study this, I draw on and expand the concept of imagined futures. As relevant as the concept is, its embodiment in stories, business plans or metrics has mostly been approached in terms of knowledge that exists, which is present. However, this view can also be complemented by insights about knowledge which is conspicuously absent, as Beckert states: ‘any critical discussion of the instruments of imagination ... needs to start from the investigation of what they bring into focus and *what remains invisible through them*’ (Beckert, 2021: 14; emphasis mine). Based on a qualitative study of impact investing professionals in Geneva, I argue that the case of impact measurement in impact investing activities features such ‘absent’ components of fictional expectations. A core insight of Beckert’s fictional expectations framework is that organizations and professionals act as ‘engines of imagination’ (Beckert, 2021: 13) to drive capitalist dynamics. I argue that these organizations and professionals also have to become ‘engines of ignorance’ to make these imagined futures plausible. To bring into focus what remains invisible, I turn to ignorance studies, a growing research field that has shown how organizations produce ignorance, whether for strategic gains (Oreskes and Conway, 2011; Proctor, 2012; Rainhorn, 2013; McGoey, 2019) or through institutionalized politico-scientific frameworks, regulations and ordinary practices (Frickel and Vincent, 2007; Hess, 2016; Allen et al, 2017). The term ‘ignorance’ has two meanings. In the first, it indicates a lack of knowledge of something. In the second, it means a lack of attention to something which is known to some degree. This chapter uses the second definition: the deliberate, or unconscious, choice to ignore something which is known. In that sense, asset managers can be aware of aspects of their impact, but still decide to ignore those aspects by refusing to analyse or communicate about them. For organizations, ignorance is a useful resource used to deliberately or unconsciously bridge their promised future with their everyday practices, hence building and reinforcing convincing fictional expectations – that is, promising financial returns and positive impacts.

This chapter shows that professionals measure the concrete products resulting from the activity of the beneficiary companies (outputs) instead of changes resulting from the activity of the beneficiary enterprises (outcomes). They generally also ignore the broader and long-term changes in communities which can be defined as ‘impacts’ (So and Staskevicius, 2015). Second, their measurement practices do not seek to establish a causal link between their investments and the social or environmental results achieved.

The ‘attribution’ (Hockerts et al, 2022) of their investments – their actual contribution to social/environmental results – is never measured although the importance of measuring impact is always emphasized by these investors. To deal with this ‘dangerous’ information, these organizations develop defence strategies, dismissing attribution and displacing impact by outputs as a ‘more manageable surrogate’. These are organizational filters that allow to maintain the functional requirement of measuring impact. Ignorance thus makes it possible for impact investment professionals to keep up the promise of measured impact. This is further enabled (a) by an environment in which these practices seem to be largely unchallenged by clients and regulators, and (b) by the justifications of a professional community which, in spite of being acutely aware of the shortcomings of measures, sees itself as invested in a more moral activity than other ‘sustainable’ forms of investment.

2. Impact investing, imagined futures and institutionalized ignorance

Impact investments do not just create expectations about future profits; much more importantly (because this is the distinctive property of impact investment), they create expectations about the capacity of these investments to have beneficial impacts, for instance by improving people’s access to health care or by averting climate change. In their reports and communication, impact investment professionals highlight examples and showcase measures that attest for investments’ impacts, and thus seek to create credibility for the future expectations they raise. Metrics play a particularly important role therein, as reports use empirical indicators to assess investments’ impacts. While many scholars of impact investment have analysed the valuation tools these actors develop, they generally asked whether (and if so, how) they seek to reconcile economic and social goals through measurements (Barman, 2015, 2020; Chiapello, 2015; Chiapello and Godefroy, 2017). In contrast with this, I suggest that these measurement practices are a crucial ingredient of the future imaginaries impact investment develops, for example, the high-flying promises of the impact investing industry that such investments are a force for good. Indeed, part of impact investment’s promise is that the impact can and will be empirically measured. Metrics thus become an integral part of impact investments’ future expectations.

Beckert’s *Imagined Futures* brings to the fore the role of future imaginaries for capitalist development (Beckert, 2016). Expectations of future developments bring economic actors to invest, produce, innovate or consume in market economies. A research agenda on future imaginaries is attentive on how such expectations are produced. It sheds light on the tools and forms such expectations take: stories, narratives, projections, forecasting, marketing, and on the professionals that develop and use them.

In investment decisions, the role of future expectations is particularly clear. To invest is to make a bet on future profitability in a world that is inherently uncertain. How do investors assess the prospects of their investments? Calculative tools use data to project future returns on the basis of risk assessments. Yet inevitably such projections are uncertain and actual returns can never be precisely predicted. Expectations are also created and managed through the development of stories and narratives about the future and its potential for profits (Mützel, 2022). And finally, classic management technologies such as strategic planning, capital budgeting, business plans, and so on, are ‘cognitive instruments’ constructing imagined futures (Beckert, 2021).

All these instruments and knowledge sustain the credibility of an organization’s fiction towards the future. However, Beckert also argues that such future technologies always make the future visible in specific ways. The sociology of future expectations thus emphasizes that such technologies are not neutral but rather instruments of power (Suckert, 2022). And invariably, while they bring into focus certain things, others remain invisible (Beckert, 2021). This angle – what remains invisible or ‘absent’ in the economy’s imagined future – has not received as much scholarly attention as its corollary. I suggest turning to the field of ignorance study to show how future imaginaries are also structured by components that are ‘absent’.

An emergent body of research perceives ignorance not as the opposite of, but rather interdependent with, knowledge. The initial set of ignorance studies focused on the intentional production and maintenance of ignorance, highlighting how ignorance can be manufactured and manipulated through strategies aimed at creating doubt on the anthropogenic origins of the current climate crisis (Oreskes and Conway, 2011) or on the links between smoking (Proctor, 2012) or lead (Rainhorn, 2013) and related diseases. This willingness to ignore available knowledge has been examined in several studies by Linsey McGoe (2012, 2019) who shows that, for organizations, knowing what must not be known may be as important as knowing what to know. Yet, researchers working in the fields of science and technology studies (STS) or political sociology of science have argued that the production of ignorance in organizations can also have its roots in politico-scientific frameworks, regulations and ordinary practices. This is the case, for example, when measurement instruments, professional cultures or disciplines make organizations ‘blind’ to certain issues (Frickel and Vincent, 2007; Kleinman and Suryanarayanan, 2013; Dedieu, 2022). Ignorance is institutionally constructed through selection effects or ‘organizational filters’ (Rayner, 2012: 110) that organizations must necessarily use to function. A company’s sales or impact targets, risk analyses and marketing strategy – each of which may be considered as ‘instruments for the construction of

imagined futures’ (Beckert, 2021: 2) – are at the same time knowledge and ignorance mechanisms, since these instruments produce information that reduces nuances in the world.

3. Data collection and analysis

Geneva is internationally known as a global centre for United Nations development agencies and as one of the world’s main financial centres with recognized expertise in private wealth management (Araujo, 2017). Since the financial crisis of 2007–08 and the end of the Swiss banking secrecy for international clients in 2009, the ‘city of Calvin’ has also tried to promote its new expertise on ‘sustainable finance’. Building on local success stories in microfinance such as BlueOrchard, a company founded in 2001 as one of the first fund managers specialized in commercial microfinance, selected Geneva-based asset managers have been describing their activities as impact investing for about a dozen years (see Chapter 4 in this volume, by Kabouche). An important part of impact investments in Geneva is made up of microfinance investments in developing countries’ financial institutions that fund poor individuals or small enterprises. However, the field today is diversified in terms of areas of investments (including agriculture, renewable energy and financial inclusion), asset classes (private debt and equity but also listed equity for one firm) and total assets under management. The latter ranges from a few tens of millions for the smallest firms, to a few billion in assets under management by the largest organizations such as BlueOrchard or Symbiotics. In Geneva, the vast majority of these impact investments are made in emerging markets. On the investor side, the majority of their customers are professional clients such as pension funds, insurances or private banks.

Data collection

To identify asset managers specializing in impact investing, I used a publicly available map developed by *Sustainable Finance Geneva*, an online platform which aims at promoting Geneva as a centre for sustainable finance. The map provides information about the 250 institutions (asset owners, asset managers, service providers, banks, academics, non-profit organizations and intergovernmental organizations) active in sustainable finance in Geneva. It allows to differentiate asset management companies *active in* sustainable finance (29) from those *focusing on* sustainable finance (18). Out of these 18 asset managers focusing in sustainable finance, I selected every asset manager self-declaring on their website a specialization in impact investing (n=8). In the findings section, I refer to these various impact asset managing firms with ‘AM1’, ‘AM2’, and so on.

I started the qualitative fieldwork by attending relevant events, such as a conference organized by *Sustainable Finance Geneva*, and proceeded by contacting impact analysts and managers working in these eight organizations by e-mail to request their participation in the study. Using the ‘snowball technique’, these first participants, were asked to recommend other analysts and managers. In general, the recruitment process was not difficult. Just like social entrepreneurs relying on personal and business narratives to acquire resources (Roundy, 2014), participants in this study were keen to share their personal and corporate history. I also looked at other actors in the sustainable finance field: people that were mentioned in interviews as important actors in Geneva; banks that offered impact investment vehicles but were not specialized in it, as well as other relevant actors, such as interest groups, actors from international organizations and NGOs, and a few outside experts. The total number of interviews was 46. Due to health constraints imposed by the COVID-19 pandemic, the majority of these interviews were conducted online (in French or English) via Cisco Webex™, a videoconferencing application. I offered participants the option to use pseudonyms to ensure their anonymity and the anonymity of their organizations. Interviews lasted between 40 minutes and two hours and were manually transcribed and analysed with the help of Atlas.ti™ software.

In order to ensure a proper understanding of the discourse and practices regarding social or environmental impact of investments, this chapter relies not only on semi-structured interviews, but also on asset managers’ latest ‘impact reports’. Every year, these organizations publish these impact reports which are tools for communicating impact results to the public and investors. They are supposed to present the social and environmental impact of these organizations’ investments. These reports are published alongside organization-level impact reporting and more traditional annual reports focusing mostly on financial performance. Impact reports were publicly available on asset managers’ websites and did not require the organizations’ permission to access them. For each organization, I collected, through an analysis of these impact reports, information on their areas of investment, asset classes, assets under management, impact objectives, coverage of portfolio companies, information about impact risks and underperformance, incorporation of stakeholders’ perspectives, and impact results and measurement. I was wondering: what is missing in the midst of all this information? What is ignored in these reports? In addition to these interviews and impact reports, in the last three years I conducted participant observation at the ‘Building Bridges’ event in Geneva, a key annual conference on sustainable and impact investing. For this chapter, the production of ignorance has not been researched through an ethnographic analysis of these organizations’ measurement practices. What I have analysed

is what is measured – and why it is done one way and not another – not how the measurement is done.

Data analysis

This chapter is part of a larger research project that aims to understand the emergence and moral discourse of Geneva-based impact investors. I first familiarized myself with the data and classified relevant texts and images according to predetermined themes such as morality or justification, and new themes such as measurement. We then organized team meetings to clarify and connect themes together, returning to raw data to test the adequacy of our first analytical ideas. In that step we adopted an ‘abductive’ research approach (Tavory and Timmermans, 2014) – that is, a pragmatic back-and-forth between theory and empirical data – which deliberately focused on both predetermined and emergent themes. Ignorance emerged as a new theme when I found that the interviewees indicated that they were aware of the limitations of their impact metrics, justifying them nevertheless. In other words, these organizations were ignoring available knowledge about impact measurement. In a next step, the data were coded with the more granular sub-theme of ‘measurement ignorance’. Negative cases (cases where impact measurement was not justified, for instance) were searched for and discussed. Looking for consensus on the specific sub-theme of ‘measurement ignorance’ I also began to look for links with existing sociological theories (such as Beckert’s).

4. Findings

The promise

According to the Global Impact Investing Network (GIIN), for ‘impact investors’ to be named as such, they must have the intention to generate a positive social or environmental impact alongside a financial return (Global Impact Investing Network, 2018). Their portfolios are built from the beginning with the goal of addressing specific sustainable development goals; they ‘have a conscience’, to echo the words of the CEO of one impact asset management firm (Building Bridges event, 2022). Indeed, the interviewees consistently mentioned that investors should invest in solving social and environmental problems without giving up on financial returns. The following statement is typical of the future promise of impact investing, which is to boost economies, limit global warming and inequality all the while generating a financial return to the investor.

If we want to live in a better world, we need to address these challenges in the coming decades. But how? We strongly believe in sustainable

economic growth, which aims to limit the harm to the environment and positively contribute to society. A growth in harmony with the planet, and with a more equal wealth distribution. (Impact report, AM4)

A crucial part of this promise of world-changing is the capacity to demonstrate the positive impact of investments through indicators, very often in the form of metrics. Impact investors do not just promise impact; they promise measured impact by developing ‘real and concrete measures of the social and environmental impact generated’ (CEO, asset manager) that would be ‘systematic and consistent’ (Impact report, asset manager). In the same vein, one organization is ‘convinced that sound impact measurement and management tools are a prerequisite for achieving both a positive and sustainable impact and the UN Sustainable Development Goals (SDGs)’ (AM3).

The promise of impact investment can further be exemplified by an analysis of impact reports (see [Table 10.1](#) for a summary). Although the reports vary by length, their content is always composed of a mix of narrative and explanatory text, graphics, numbers, pictograms such as the SDGs for example, and large images evoking nature or sustainable development (with many close-ups on faces). The presence of figures, diagrams, graphs and lists gives an impression of rationality, counterbalanced by visual or textual (stories) elements with more emotional resonance. This is the case when reports give voice to end clients, such as this female artisan photographed and quoted in a report:

I was able to take out a loan to build a new house, pay school fees for all seven children, and that’s not all—I actually have money to invest in different things like land for farming, livestock, renovating my house and electricity. Baskets are our stamp of culture and tradition, and now development. Baskets bring hope to our future. ... It’s bright. (AM7, Impact report)

Most reports also give examples of small-scale ‘investees’ (organizations receiving capital), explaining their history or presenting their CEO. ‘Impact’ is also shown through the form of quantified indicators. [Figure 10.1](#) shows typical examples of impact reports’ pages focusing on aggregate ‘impact’ metrics. Through these figures and illustrative examples, these reports make ‘impact’ more concrete and communicable.

‘We rarely get to impact measures’

Impact asset management companies recognize that it is difficult to control the factors influencing whether financial products aimed at improving

Table 10.1: Attributes and findings of impact investing reports

Attribute	Finding
Description of objectives	All reports describe the organization impact objectives and rationale, aligning them with standardized frameworks such as the SDGs (mentioned in every report).
Coverage of all portfolio companies	None of the report includes information on all investees present in the portfolio. Most of them describe some investees.
Information about impact risks ^a and underperformance	Half of the reports comment on impact risks, but none of the reports quantify negative impact results.
Incorporation of stakeholder perspectives	Half of the reports give voice to end clients (quotes, picture), half do not.
Portfolio-level/ investment-level impact results	The reports present aggregate portfolio-level output metrics and some aggregate portfolio-level outcomes metrics. Long-term impact on communities is not measured. The actual contribution of specific investments to social and/or environmental results are not measured either.
Use of standardized indicators/targets	The majority use standardized indicators (some their own proprietary framework) but none of them provide expected targets alongside the actual 'impact' results.

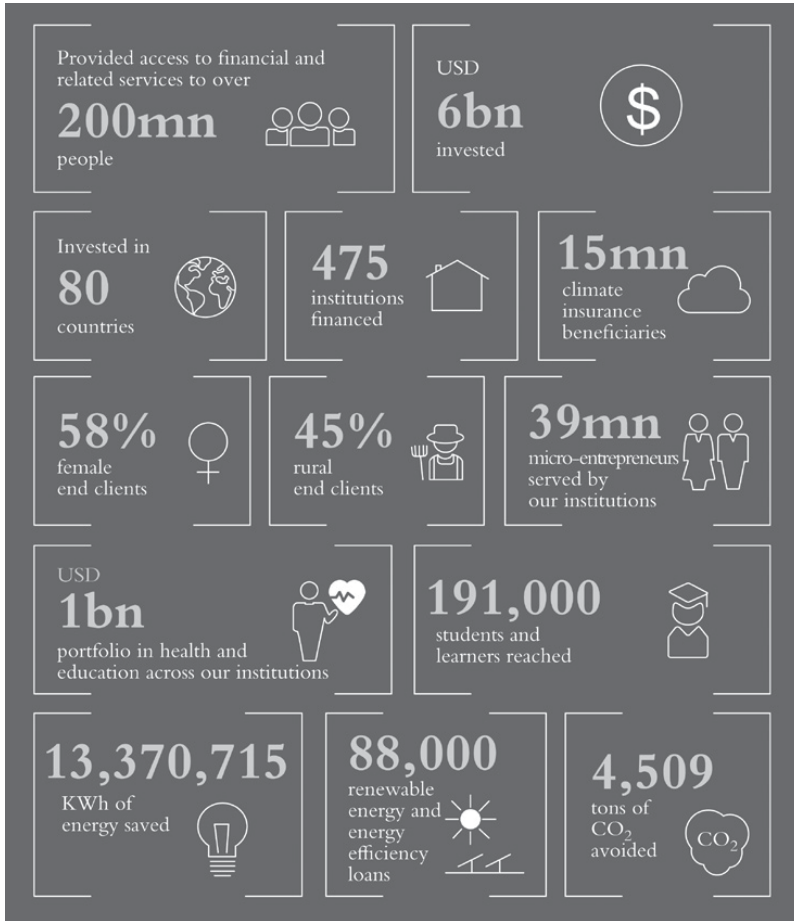
^a Impact risks measure the likelihood that the social or the environmental impact will be different than expected.

environmental or social outcomes can attain their goals. One report compares financial performance and social/environmental impact, saying that the latter's 'causal chain is much less direct and tangible. ... The relatively simple and direct logic of finance gives way to more complex relationships' (Asset manager report). The model that explains the desired social or environmental change process is recognized as difficult to build. Another quote from an impact report is very explicit and lucid on this:

[O]ne can test the outcome of the delivery and output of financial services produced by an MFI [microfinance institution] in terms of financial security, household consumption or employment and entrepreneurship. But *one cannot automatize the long-term welfare and well-being of end recipients and users at this stage, isolating the MFI lending variable from the hundreds of exogenous factors that affect our daily lives and behaviours* and ultimately explain our sense of own peace and justice. (AM2, SPM 2017; original emphasis)

Faced with this complexity, asset management companies simplify the way they measure the social or environmental impacts of their investments.

Figure 10.1: Typical example of an aggregate output metrics page taken from an impact report



They deliberately ‘bring it down a notch’, from the promise of impact to the measure of specific outputs and possibly outcomes. While they keep speaking of impact, what they actually measure are ‘manageable surrogates’ (Rayner, 2012: 120). As summarized by the CEO of an impact analysis company based in Geneva: ‘We rarely get to impact measures, at best we get to outcomes measures, and often to outputs measures.’

Focusing on the more easily measurable things is akin to the organizational strategy of ‘displacement’, as described by Rayner (2012: 116). Impact investment professionals produce a lot of data around outputs and (to a lesser extent) outcome measures. These data are a kind of knowledge, a knowledge which may well be very thorough, carefully crafted, meticulously measured and assessed. And indeed, as I will discuss later, impact investment

professionals take great pride in this effort. Yet ultimately, the knowledge thus created is thin with regard to what is actually at stake, the measuring of impact. Here, ignorance is created by what is done on the surface, by the ‘thinness of knowledge’ (Frickel and Edwards, 2014: 224). Impact knowledge, produced by these organizations, is thin in part because ‘there is not a lot of evidence with which to work, and in part because the evidence at hand has not been thoroughly assessed through expert reviews and thus lacks dimension or “epistemic depth”’ (Frickel and Edwards, 2014: 224).

The created knowledge also constitutes a displacement: since impact is very difficult to assess, other, more readily measurable elements are put forward. To make proof of ‘impact’ useable for their marketing or fundraising efforts, asset managers present mostly readily quantifiable outputs – sometimes critically referred to as ‘vanity metrics’ (BlueMark, 2022: 16). The abundance of data points on outputs and outcomes hides the scarcity of knowledge on actual impact. The gap between output/outcome and impact is often filled by referring to academic studies that supposedly show the beneficial role of investments for development and human well-being. This can be seen in the following quote from an impact investment professional:

You know that by supporting the development of this company, you will have an impact on electrification. And therefore on the fact that families will be able to access this. You also know that electrification, and there is a lot of academic data that shows this, has consequences on the academic success of children, for example. This is very clearly demonstrated and you know that by financing this enterprise, you will have a certain number of impacts. (Impact investing professional, impact analysis firm)

The broader impact, although not measured, can be ‘assumed’ because scientific studies show it.

While impact investors thus displace the realm of knowledge away from the actual impact and create a type of thin knowledge, they also make use of a second ignorance strategy: dismissal (Rayner, 2012). Asset management companies use this strategy to deal with the inconvenient fact that they do not demonstrate the causal effects of their investments on the social and/or environmental outcomes they are claiming to induce.¹ Attributing outcomes to an impact investment is about determining whether the outcomes observed are due to that particular investment. What source or actor is responsible

¹ In order to deal with the possible unexpected social or environmental effects of their investments, the same strategy is used: these unintended effects are simply not measured by asset managers.

for the social and/or environmental change, and by implication who should be rewarded for the positive shift (Hockerts et al, 2022)? In the impact investing context, measuring this attribution means that investors must ‘take into account other investors and external factors that may have influenced the achievement of the results’ (Vosmer and De Bruijn, 2021: 3). Impact asset managers and analysts recognize not to measure whether the social or environmental outcomes observed are due to their particular investments:

We assume that [name of the organization] investments have the potential to lead to the net positive impacts we have estimated. But it is not possible to establish a causal link. (Impact analyst, AM8)

That’s in the ideal, that’s in the theory, but in practice it’s very complicated ... it’s almost impossible to show I do not know ... in terms of job creation that so much percentage of job creation has been attributed to the financing of [name of the organization]. (Impact analyst, AM5)

Dismissal implies ‘at least some level of explicit engagement with uncomfortable knowledge, even if it is only to justify rejecting it’ (Rayner, 2012: 116). That’s what asset managers do to deal with the problem of attribution: they recognize not to seek to establish a causal link between their investments and the social or environmental results achieved. Here, ignorance is the result of knowledge that does not exist. The search for causality does not take place. It is ‘undone’ (Frickel et al, 2010; Hess, 2016) or done only in very rare cases.

An analysis of all the impact reports of the organizations in the sample confirms this picture of simplification. In general, these reports present portfolio-level *output* metrics (for example, the number of loans granted by a financial institution to poor families or the number of solar panels installed by a company) and more rarely some aggregate portfolio-level outcome metrics (for example, the increase of the income of these families or the renewable energy produced by solar panels). The long-term broader changes in communities (such as, the improvement of living conditions or the decrease of pollution and associated respiratory diseases) as well as the actual contribution of specific investments to the social and/or environmental results presented, are not reported.

‘A randomized impact study is not within our reach’

The interviews clearly indicate that impact investment professionals are keenly aware of the discrepancy between the metrics they use and the

broadier promise of impact investment. One executive director recognizes that '[they] do what [they] can with the means at hand and with certain metrics that [they] think are relevant' (Executive director, asset manager). Another interviewee says that they do 'very simple things that are more types of personnel affected, average prices, regions, things that are more generic of a portfolio because it's not scientific studies'. One head of impact management offers a comparison with randomized control trials, recognizing they are not going 'very far': 'So afterwards, I think that for many impact investors like [name of organization], we do not go very far, if you want a randomized impact study, with a test population, it's not within our reach. We leave that to Esther Duflo and other researchers' (Head of impact management, AM6).

The most explicit justification for displacement and dismissal is the cost argument. This argument is given particularly with regard to investees. For them, it is a question of resources. Gathering output and outcome data is already very costly, and these costs are generally carried by investee companies. Yet impact measurement should not be 'a burden for investees' (Head of impact, asset manager, during a sustainable finance event). Most of them are small organizations that do not have the resources to dedicate to the measurement task: 'there is a balance to find between having an impact and measuring this impact' (Head of impact, asset manager). Measuring can 'easily become complex and expensive, requiring investors to balance the depth of assessment against its cost and burden on the investee companies' (Asset manager report). One asset manager discusses the costs associated with rigorous impact assessment methodologies, again referring to the 'gold standard' of randomized trials as a benchmark for determining causality:

I find that these [randomized] impact studies, which are more like one-shot studies, could not be done systematically at AM6. But it has happened to us. ... In fact, we've done three studies like that so far at AM6. And that's really interesting, but you need additional resources for that. We need a third party to administer the questionnaires, so we have to put the resources into this. (Head of impact management, AM6)

Yet the reasons why these organizations ignore important aspects go beyond the issue of costs. Even if it were cheap, or if costs were assumed by investors instead of investees, measuring always requires some sort of simplification. Complexity thus stands in the way of impact investment's promise of measurement. Without putting core aspects of impact to the margin by dismissing and displacing knowledge, the promise of impact investing as a measured future impact could not be maintained.

Justifying the discrepancy between measurements and promise

Although acknowledging the shortcomings, all the different participants of impact investing markets seem quite content with this way of doing things; they ‘buy into’ impact investment’s future promise. More precisely, it appears that the institutionalized ignorance is enabled by (a) the fact that it is embedded in a context in which it is hardly challenged, and (b) by the justifications developed by impact investment professionals, which explain their investment in this ‘game’ despite being acutely aware of the limits of the measures used.

On the side of investors (that is, the clients of impact investing asset managers, which can be institutional investors or wealthy individuals and families), the interest in more ‘sophisticated’ metrics seems to be limited, and they appear quite content with the ways of doing proposed by impact investing companies. ‘For the clients we have ... I’m talking about professional clients, it [impact] is not a subject that we discuss for hours in meetings. It’s more about the financial return, to be honest’ (Head of portfolio management, AM2).

Investors, it appears, are not so much interested in the nitty-gritty details of measurement; most of the time they are happy to see that things are being measured and that impact is thus proven – they ‘acknowledge this measurement’ (Head of portfolio management, AM2), without further scrutiny.² In this regard, impact investment appears similar to other forms of sustainable investment: they are essentially supply-driven, and governed by market logic rather than concerns about social or environmental issues by ‘moral’ investors (Déjean et al, 2013). What is more, impact investing is largely left out of recent regulation efforts affecting other forms of sustainable finance, such as the so-called European taxonomy. No one really challenges impact investment’s established way of doing things.

Finally, institutional ignorance is also reinforced by the justifications given by the impact investing professionals of the way they do things. They constantly compare themselves to other forms of sustainable finance for contrast, showing off their achievements. Respondents argue that what they do in terms of impact measurement is not so bad ‘because it’s not random, it’s systematic’ (Impact investment manager, asset manager).

Even though they acknowledge the limits of their metrics, impact investing professionals compare their practice to those of others. They confidently stress its moral superiority, focusing on their accomplishments and on what

² One should mention one exception: investors from development organizations or state bodies are reportedly more demanding in terms of impact measurement, as they have to report themselves on their investments’ impacts.

is done better in impact investing compared to other ways of ‘greening’ investment. This positive representation is paired with a belief in constant improvement. The current state of impact measurement is seen as but an early and still crude way, which will eventually give way to much more sophisticated forms. This teleological belief in progress renders current forms of impact measurements less problematic, as they constitute but a work in progress, a rather primitive way of doing things that will inevitably be ultimately surpassed. It also rationalizes the conscious use of ignorance by today’s professionals of impact investment.

5. Discussion

The promise of impact investment is a measurable – and indeed measured – impact of investments on the grand challenges affecting humanity and the planet. To maintain these ambitious fictional expectations, impact investors develop narrative strategies such as showcasing examples of impactful investments. Mostly, they need to develop measures to demonstrate impact. Yet building such measures is not an easy task, as the road from outputs to outcomes to communities’ sustainable development is far from being direct – and the impact investing industry understands this limitation.

By and large, the growing literature on fictional expectations has focused on the tangible tools and strategies economic actors use to create imagined futures. Yet, as [Beckert \(2021\)](#) states, creating fictional expectations puts some things into focus but also leaves others invisible. By analysing impact measurement, this chapter shows how future expectations are also built on forms of ignorance. This ‘functional ignorance’ is a resource or a means to help organizations bridge their promised future with their everyday practices. Ignorance helps impact asset managers to cope with the technical limitations of their measurement tools and allows them to maintain the credibility of their promise.

I have identified two ignorance strategies they use. Displacement means measuring a complex reality in a simplified way: displacing what is measured towards simpler things. By producing a simpler and more manageable version of sustainable development, the ‘uncomfortable knowledge’ ([Rayner, 2012](#)) of not *actually* measuring impact, is swept under the carpet by asset managers. It does not threaten asset management firms’ official discourse on the importance of impact measurement, and they are able to save the credibility of their promises regarding this matter. By producing this simpler version of impact, these firms do not need to make institutional changes that would logically follow from complex knowledge. Hence, ignorance through displacement is a core requirement for impact investors to maintain the future they promise: only by displacing knowledge creation to the manageable realm of outputs and certain very specific outcomes can the promise be held up.

Dismissal signifies that actors reject forms of knowledge because they are seen as containing potentially dangerous information that may ‘undermine ... organizational principles’ (Rayner, 2012: 111). In the case of impact investment, attribution analysis is dismissed as impractical and too costly. Note that impact investors do not seek to identify alternative ways of trying to show attribution – for instance through contribution analysis, a technique widely used in development aid (Mayne, 2012). A contribution analysis looks for causality in a probabilistic form, providing ‘an argument with evidence from which it is reasonable to conclude with confidence that the intervention has made a contribution and why’ (Mayne, 2012: 273). But doing such analyses might undermine impact investors’ promises, by showing for instance that it is not the investments that create impact, but other factors. An accurate objectivation of investments’ consequences might make the future promise of impact investment collapse. Better, then, to dismiss attribution and thus keep up the fictional expectations.

To explain the use of ignorance strategies in these organizations, I suggest that this use may be largely explained by pragmatic organizational requirements and by the context within which impact investing takes place. In my view, impact investment professionals do not seek to deliberately (or even cynically) hide or obscure information about impact performance. However, they do not unintentionally apply and reproduce organizational practices either, as I find that the interviewees have a critical and reflexive perspective on what they do. Instead, ignorance is functionally required as an organizational routine in order for impact investing to be conducted, and is left unchallenged due to the wide leeway that is available to impact investors.

In Geneva, impact asset managers seem to be able to choose the type of transparency they desire regarding their social and/or environmental impact. In this, they have been largely unchallenged by their professional clients such as pension funds or insurances, who represent the majority of their customers. This is in contrast with other fields such as programme evaluation, where agencies that fund development programmes demand ‘rigorous evaluation methods with time and effort spent on validating results, with the hope to emphasize accuracy and reliability of the evaluation results’ (Tsotsotso, 2021: 168). In comparison, the measurement process in impact investing appears to be less rigorous in terms of data collection and validating results. This measuring process seems to ‘mostly serve the interests of the investor and/or investment management’ (Tsotsotso, 2021: 169). Indeed, the impact investing field has never been ‘beholden to rules as strict as for instance financial reporting would be’ (Guter-Sandu, 2022: 12). In impact investing, presenting a selective disclosure of positive, ‘superficially’ measured impact information does not seem to create excessive reputational and financial risks for impact asset managers, because their asset owner clients do not pry too closely into the details of the impact claims. At the same time, investees do not

have an interest in complex impact measurement since a more sophisticated measurement process would be more difficult for them. Efforts to enhance sustainability-related transparency have not yet appeared to question the measurement practices I have described. Government regulators such as the Swiss Financial Market Supervisory Authority (FINMA) do not go into the regulatory details of ‘how’ to measure impact. If the principle of impact measurement is largely shared, this flexible measurement process remains, so far, a ‘discretionary action’ (Guter-Sandu, 2022: 12). Finance professionals – asset owners, asset managers, investees and regulators – seem so far to share a common interest, an involuntary ‘tacit understanding’ (Dedieu, 2022: 21) in not questioning the way impact is measured. This absence of exposure to critical views favours the production of ignorance and ‘thin’ knowledge regarding impact performance (Frickel and Edwards, 2014: 224).

One could wonder whether such forms of functional ignorance are at play beyond the case of the Geneva impact investing field. A GIIN study on measuring and managing impact found that less than a third of respondents (impact investing organizations with ‘meaningful’ experience in the field) measure the actual contribution of their investments to the outcomes observed and only a quarter of respondents measure this impact over time (Global Impact Investing Network, 2020: 41). Similarly, the recent BlueMark report regrets that impact reports contain ‘an overemphasis on aggregate output metrics, cherry picking of portfolio companies, and a notable absence of information on underperformance or negative impacts’ (BlueMark, 2022: 16). Indeed, it seems that ignorance plays a fundamental role in guaranteeing the movement’s credibility at a larger scale.

6. Conclusion

This study adds an important element regarding the role of valuation tools, metrics in particular (Barman, 2015; Daggers and Nicholls, 2016; Hehenberger et al, 2019; Chiapello and Knoll, 2020), for this emerging market by showing that metrics matter not so much for actual measurement, but for lending credibility to impact investment’s future promise. The analysis suggests that for the industry to thrive, what is important is not so much how ‘impact’ is measured – whether there is a standardized way to do so, whether financial metrics prime social ones. What counts is that some kind of impact can be demonstrated, and to do this, a serious effort needs to be put into the production of this demonstration. The chapter reveals the gap between an ambitious discourse stressing the importance of measuring their impact to reach the SDGs, and the practical realities of asset managers having to implement this discourse. Paradoxically, the enactment of impact investing in Geneva is only possible at the price of creating a type of thin knowledge and ignoring actual impact. Impact investors and their

intermediaries – private players at the service of the public good – can afford to build their hybrid identities as they do not seem to have anything to lose by superficially measuring impact or not addressing the question of causality. Demonstrating the promise of a measurable social or environmental impact is not examined in detail by regulators and clients. This is indicative of the power of the finance field in Switzerland and the leeway enjoyed so far by this self-regulating field of sustainable finance. In this respect, we might ask whether hybridity is not a luxury of the affluent who can afford, without consequences, to not have to make their way of doing things, of measuring impact, acceptable.

Claims to ‘make a difference’ or ‘doing good’ are of necessity contingent, incomplete and uncertain in the complex context of real-world situations, in which interventions – whether investment or otherwise – unchain a stream of events that interact with other elements in socio-ecological economic systems to deliver development outcomes. Faced with the unpredictability of consequences of action, the impact investing market is perhaps in need of ‘institutionalized habits of thought, that try to come to grips with the ragged fringes of human understanding – the unknown, the uncertain, the ambiguous, and the uncontrollable’, as [Jasanoff \(2003: 227\)](#) puts it. While regulators and clients of asset management firms seem to trust their impact numbers, the role of social scientists is to challenge their principles and focus on the methods used to generate these claims. In other words, not to look at the Moon, as in the famous quote from Confucius, but to examine the finger that points to it.

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Conclusion: Towards a Theorization of Varieties of Impact Investing

Emily Barman

Introduction

Much has been written about the emerging field of impact investing and its double bottom line promise to address critical social and environmental challenges in a financially sustainable way. As a still expanding field, understanding how this new form of finance has been implemented is central to the goal of addressing the ‘grand challenges’ of global society. To date, as outlined in this volume’s introductory chapter, scholarship on impact investing has largely focused on its initial enactment through attention to the work of the large, powerful actors that have been involved in creating, defining and naming this new field ([Monitor Institute, 2009](#); [Barman, 2015](#); [Chiapello and Godefroy, 2017](#); [Langley, 2020](#)). In contrast, the chapters in this volume move our understanding of impact investing forward by examining how this new hybrid approach has been enacted on the ground. As framed by the co-editors, the over-arching task of the book is twofold: to identify what is actually behind the ‘grand’ idea of impact investing by examining its implementation in a focal locale (both in terms of its practices and consequences) and to account for the different types of impact investing that have been uncovered. As I will summarize, the authors in this volume employ the theoretical concept of ‘translation’ to show how and why impact investing differs in conceptualization and implementation both across geographical locales and across different steps in the impact investing chain. In so doing, they raise important and intriguing questions concerning the future of impact investing and how scholars might seek to further expand our understanding of it.

Varieties of impact investing: from conceptualization to empirics

This volume joins a growing body of literature that investigates how ideas – including policies, norms, standards and institutions – travel. One line of studies (labelled the ‘world polity’ approach) emphasizes diffusion. Ideas emerge out of the Global North and – carried by international non-governmental organizations, professions and other transnational actors – are uniformly adopted at the local level with no or little change in its practice or consequence, so creating homogeneity (Meyer et al, 1997; Boli and Thomas, 1999). In contrast, studies that focus on translation, while maintaining the premise that ideas are conceived exogenously, recognize that local actors actively receive them, drawing from their context in order to make sense of and reinterpret them. Thus, these studies assume that a variety of practices may emerge from the same policy, norm, standard or institution: translation ‘always involves transformation’ (Czarniawska and Sevón, 2005: 8). One strand of translation scholarship draws from empirical analysis to conceptualize how a particular concept has been variously implemented locally and to offer a theoretical explanation for that variation (Peck and Theodore, 2015; Ban, 2016). Similarly, the goal of this concluding chapter is to draw from the findings of the individual cases studied herein to offer a comparative assessment that accounts for variation and discrepancy in the local implementation of impact investing. The thoughtful and detailed chapters in this volume provide ample and rich material to discern whether, why and how impact investing is enacted across geographical and institutional contexts.

To do so, however, requires specification of the configuration and operation of the field of impact investing. If the volume is premised on the question of ‘how impact investing thrive(s) when it goes local’, it might be presumed that one is asking about how funds are actually distributed – which clients are assisted and which social or environmental challenges are addressed – as compared to the initial envisioning of impact investing as promoted by institutional entrepreneurs. Yet, the configuration of the field of impact investing does not lend itself to that type of analysis. This challenge arises because impact investing is not a single entity that moves resources from funders in the Global North to recipients in the Global South, as predicted by the global polity literature.

Instead, as these chapters show, impact investing consists of a complex and mediated relationship involving multiple actors. In addition to the initial work of institutional entrepreneurs (typically consisting of non-profit actors, governments and early funders) who develop and promote the concept and build up a field of impact investing, impact investing is composed of a series of interlinked exchanges. As shown in Figure 11.1, impact investing

Figure 11.1: Impact investment chain

Investors → Asset managers → Social enterprises → Clients/customers

Table 11.1: Analysis of the impact investment chain

	Institutional entrepreneurs	Impact investors	Impact investment managers	Impact investment beneficiaries
Sial and Sklair		×		
Chiapello and Roth	×	×	×	
Kabouche	×	×	×	
Golka	×	×		
Caselli	×	×		
Gómez Muñoz		×	×	
Campisano				×
Christodoulou and Banerjee			×	×
Burnier			×	

constitutes a ‘chain’ (Briaud and Godeke, 2020): it involves those actors who provide impact investments (the investors or asset owners including financial entities, institutional investors, foundations and family offices, and development finance institutions); those actors who manage impact investments (impact funds or asset managers); and those who benefit from impact investments (social enterprises, including non-profit, for-profit and hybrid forms, and their clients/customers). In consequence, as evidenced in this volume’s chapters, to study whether, how and why impact investing has been enacted locally can involve the analysis of its particular implementation in a particular geographical place at any one or more of these stages of the impact investment chain. Table 11.1 shows the empirical foci of each chapter in this volume along the impact investment chain.

Recognizing the existence of an impact investing chain also complicates efforts to study its implementation at the ‘local’ level. As noted earlier, many studies of the global spread of ideas presume that innovations are generated and supported by actors in the Global North and promoted by multilateral organizations for adoption and implementation by local agents in the Global South (Edwards, 2020). In contrast, as these chapters illustrate, the flow of resources across the ‘impact investment chain’ occurs in multiple ways across different geographical scales and locations. Certainly, most impact investors and impact managers are located in the Global North, with the majority of funds going to recipients in the Global South as part of the financialization

of development. In [Chapter 7](#), for example, Gómez Muñoz examines local resistance to the continued financing of Social Impact Bonds (SIBs) in Colombia, while noting that the experiment of the SIB programme was initially promoted and resourced by the Swiss State Secretariat for Economic Affairs and administered by the Innovation Laboratory of the Inter-American Development Bank. This flow of impact investments from the Global North to the Global South aligns with traditional expectations of how ideas get initiated, promoted and distributed in translation studies.

However, additional geographical configurations of actors in the chain of impact investing exist. As evident in other chapters in the volume, there are a number of private and public funders and funds located in the Global South that engage in impact investing in their own region. In their analysis of impact investing by the Aga Khan Development Network, Sial and Sklair expand the range of actors and locales to be considered when seeking to capture how impact investing varies across contexts. Their study offers an important post-colonial corrective to the standard history of impact investing which privileges the agentic work of institutional entrepreneurs and funders located in the Global North in the creation of the label of impact investing. And, even in the Global North, impact investing can occur just within a nation to resource the provision of social welfare support, as an instance of what [Chiapello and Godefroy \(2017\)](#) have labelled the ‘financialization of the social’.

In consequence, to understand varieties of impact investing – to seek to ascertain whether, how and why impact investing has been enacted at the local level – must involve recognition of which particular actors and/or exchanges along the impact investment chain are studied, while also noting the specificity of the case’s geographical setting. Paralleling the framework used by Balsiger, Burnier and Kabouche in the Introduction, I divide my comparative summary of the chapters into the two main steps of the impact investment chain: those studies that examine whether and how investors take up the cause of impact investing (‘label creation’) and those studies that examine whether and how impact investment is managed by intermediary funds and implemented by impact investees (‘label enactment’). In the following, I offer a conceptual typology to capture the enactment of impact investing at each of the two stages of the chain and then I identify the local contexts that account for commonalities and differences in the configuration of impact investing across locales.

The necessity of impact investors: the case of label creation

This first set of chapters focuses on the first necessary step in the impact investment chain: the emergence of resource providers – private, public or non-profit – that engage in impact investing. Two different types of impact

investing are studied: investors who direct resources for double bottom line return in social enterprises and actors who contribute to the private-private blended finance vehicle of SIBs. These chapters offer several important conclusions regarding the nature of the varieties of impact investing that exist across locales.

For one, they address one of the key questions motivating this volume: the determination of where and when impact investing gets institutionalized or fails to settle. With the exception of Sial and Sklair's analysis of the translocal case of the Aga Khan Development Network, these chapters examine whether the institutionalization of impact investing has occurred at the unit of the nation. The first three studies examine instances where the work of institutional entrepreneurs in creating this new label bore fruit and impact investing did gain traction among one or more types of impact investors. Golka, for example, offers a comprehensive account of the political conditions necessary for the UK government to develop SIBs as a case of 'financial derisking'. Other chapters offer a more fine-grained assessment of precisely how impact investing developed once it was institutionalized in a specific locale. Here we see how the ambiguity of the term of impact investing, as so clearly delineated in the introductory chapter, permits for variety in its enactment. When impact investing was first envisioned by early proponents (such as the Rockefeller Foundation), its success was deemed conditional upon mainstream finance actors embracing this new double bottom line form of finance. However, by conducting a content analysis of Twitter in France, Chiapello and Roth trace out how when major asset investors finally did take up the label of impact investing, they did so by modifying the definition of 'impact' so that it reflected their already existing commitment to Corporate Social Responsibility and Social Responsible Investing. Similarly, Kabouche analyses the emergence of impact investing in Geneva, noting that its growth was driven primarily by private banks who were engaging in microfinance but choosing strategically to label it as impact investing.

Other chapters, however, examine settings in which impact investing was not institutionalized. Caselli's study of impact investing in Italy shows that, despite the concerted work of local institutional entrepreneurs, including government actors, impact investing failed to result in the generation of either the provision of private investments for double bottom line return or government development of SIBs at the local or national level. Gómez Muñoz draws from qualitative methods to examine the puzzle of the limited success of SIBs in Colombia. By the late 2010s, Colombia was the first government in South America to develop SIBs; a programme led by proponents in the Global North. Yet, investments were obtained only from philanthropic foundations of local companies and banks and none from private financial actors.

The comparative analysis of these cases allows for a better understanding of how and when institutional entrepreneurs succeed in their project of having impact investing taken up – both as a label and as a practice – by investors at the local level. Certain commonalities emerge regarding what regional configurations and conditions must be present for impact investing to take hold. The case of the Aga Khan Development Network inverts the expectation that impact investing will occur at scale only when a dedicated socio-material infrastructure has been created and when mainstream financial actors in the Global North take up the cause: instead, large philanthropic entities in the Global South are capable of engaging in impact investing when they possess sufficient resources and when it aligns with their mission.

The findings of the other chapters in [Part I](#) allow for theorization of the necessary conditions for mainstream financial actors to engage in impact investing. Clearly, as with the turn to financialization more broadly, the local government must be committed to the enactment of impact investing: it must generate tailored regulations and provide funding that seeds and incentivizes other types of investors to engage in impact investing. Golka provides the most comprehensive account of the necessity of state support for impact investing by tracing out how the UK government's provision of subsidies to 'derisk' impact investment occurred when it constituted a form of political leverage for elected officials.

Yet, government engagement is a necessary but not sufficient cause for the institutionalization of impact investing. As made evident by Caselli's study of Italy, impact investing only thrives when local financial actors also take up the label of impact investing. While there was a high discursive articulation of impact investing by key advocates in Italy, and the government created the new legal category of 'social enterprise' and engaged in capacity building, those entrepreneurial efforts in field building were stalled by a bank-centric economy that was characterized by the low structuration of impact capital flows. Similarly, in the case of SIBs in Colombia, Gómez Muñoz shows that despite strong advocacy by institutional entrepreneurs (both in the Global North and locally), domestic actors in the financial sector were not interested in investing in SIBs for double bottom line return. Clearly, while some social science scholarship has emphasized increasing global convergence to a world society ([Meyer et al, 1997](#)), these chapters show that variation across socio-political contexts still exists and attention to local factors helps to explain whether impact investing 'takes' in a particular locale.

In contrast, in France, with the necessary infrastructure in place, financial actors promoted the label of impact investing but they did so while simultaneously engaging in the act of translation. Early proponents of impact investing, such as the Rockefeller Foundation and the European Venture Philanthropy Association, sought to create the new label of impact investing and to engage in boundary building by distinguishing it

from other forms of related social finance (Chiapello and Godefroy, 2017; Barman, 2020). Yet, contrary to these efforts at label creation, the term of ‘impact investing’ was employed by mainstream investors in some of these chapters strategically to reframe other, pre-existing types of social finance investment in order to highlight the novelty of ‘impact investing’. In the case of Geneva, for example, Kabouche surprisingly finds that the rise of impact investing was not reliant on the discursive and material work of non-profit or public actors to align market and mission: instead, private banks were the first to embrace impact investing. But rather than being driven by a belief in the transformative capacity of impact investing to address social and environmental challenges, these actors promoted impact investing in order to relabel their existing engagement in microfinance so as both to avoid the moral critiques directed at microfinance and to demonstrate their commitment to sustainable finance after the 2008 financial crisis. In both the locales of France and Switzerland, these acts of translation on the part of mainstream investors raise the question of whether the use of the label of ‘impact investing’ results in ‘impact investments’ – the direction of investments towards blended finance instruments and/or double bottom line firms and funds. Thus, even at the first stages of the impact investment chain, these studies show that the specificity of the socio-political context results in variation in the extent and type of impact investing that is enacted by investors.

Managing and distributing impact investments: the case of label enactment

Part II of the volume focuses on ‘label enactment’: these empirical studies move attention away from the question of whether and how impact investors enact the project of impact investing to those actors in the impact investment chain that are involved in the management of impact investments and its distribution to customers and clients. As practitioners (or users) of the category of impact investing, these actors include asset managers (often called ‘impact funds’) and beneficiaries (social enterprises and their customers). Ranging in geographical setting from the Global North to the Global South, these chapters ask whether, how and why these actors engage in the concrete practices of impact investing. As in Part I, these chapters find substantive variation in how impact investing is implemented in practice. Testing to see the veracity of impact investing’s central and defining characteristic, the authors find that while some cases do successfully negotiate the challenge of creating both financial return and positive impact, others fail to manage this tension.

Two of the chapters examine how asset managers seek to enact the dual bottom line promise of impact investing through their selection of, and relationship with, social enterprises. Interestingly, these two chapters vary

in their assessment of whether impact funds direct resources in ways that align with the central tenets of impact investing. In his analysis of Geneva-based asset management companies, Burnier examines how organizations make their impact investment choices. The distinguishing claim of impact investing is that resources should be distributed to obtain both value and values, with early advocates emphasizing that the diffusion of impact investing was reliant on the use of social metrics to demonstrate impact ([Monitor Institute, 2009](#); [Barman, 2015](#)). Examining actors' fictional expectations, Burnier instead finds that impact funds strategically choose to engage in 'ignorance' (omitting measurement of impact) and 'displacement' (avoiding the assessment of attribution), ascribing the lack of impact measurement to relational factors, including the cost of impact measurement for investees and little interest on the part of investors. By implication, impact investments likely are not being directed to social enterprises that optimize impact, resulting in a form of 'impact washing'.

The other two chapters in [Part II](#) examine the work of social enterprises. For both studies, the ambiguity of the non-financial in impact investing is central to understanding the endeavours of these actors, although in strikingly different ways. Christodoulou and Banerjee study those actors located near the end of the impact investment chain. Based on interviews with social entrepreneurs in Nigeria, these authors bring attention to the agentic role of social entrepreneurs in the impact investment chain. To succeed, and aware of the power differentials at play, social entrepreneurs seek out a 'good match' whereby the right type and amount of not only economic investment but also social capital (in the form of networks, financial advice and business development support) must be offered by an impact fund for the social entrepreneurs to enter into market exchange with them. If impact investing brings together the social and the financial, then this chapter adds yet another definition of the concept of the 'social': from the perspective of social entrepreneurs, impact investment can only succeed when asset managers provide the right type of social support.

In her chapter, Campisano moves the study of impact investing to the very end of the impact investment chain by analysing a social enterprise's engagement with its clients. As a social enterprise founded in the Global North, Sust-Agric Africa's mission was to lift subsistence farmers in Ghana and Sierra Leone out of poverty: it would do so by supporting their successful and sustainable move to the commercial market. Using an ethnographic approach, Campisano traces out the implementation challenges faced by the social enterprise that led to its failure to achieve its stated development goal. She shows how disagreement among stakeholders as to the meaning of the concept of 'social impact' for the social enterprise both contributed to its mission challenges and permitted its members to nonetheless recast their prior efforts as instances of success.

In sum, as with [Part I](#), these chapters do not just capture the multitude of ways in which actors enact the label of impact investing but also permit consideration of why this set of impact investment actors engage in the particular types of activities that they do. Certainly, it is clear that the ambiguity of the term of ‘impact’ permits a wider range of activities to be classified as ‘impact investing’ than was envisioned by those who first engaged in label creation. In Campisano’s study, for example, the term of ‘impact’ extends from economic development to the financial inclusion of women to the presence of knowledge transfer for farmers. For asset managers in Geneva, in contrast, the vagueness of ‘impact’ generated autonomy and a lack of accountability for their investment decisions.

These varieties of impact investing can also be traced back to the context of the cases. Here, the ‘local’ matters in two distinct ways. First, as proposed by Balsiger, Burnier and Kabouche in the Introduction, the enactment of impact investing is conditional upon the characteristics of actors in particular geographical and institutional contexts. As with the cases of ‘label creation’, the state continues to play an important role for the practice of impact investing, but primarily in the Global North (see, for example, the chapters by Golka and Caselli in this volume). In other chapters, the context of impact investing occurring in the development project of the Global South plays an important role. Campisano’s chapter shows how impact investing – despite its claim to constitute an innovative departure from traditional methods of aid delivery – ends up reproducing the old, problematic dynamics of development ([Ferguson, 1990](#); [Rosenman, 2017](#)).

Notably, these chapters show that context also matters in terms of where actors are located in the impact investing chain. Whether and in what ways impact investing is implemented turns out to be inherently relational. Located in a series of exchanges with other impact investment partners, each organization’s enactment of impact investing is conditional upon the choices and preferences of others both before and after them in the chain. In the case of an asset management firm in Geneva, for example, Burnier shows that its decision to omit consideration of impact measurement was supply-driven and based on investors’ demonstrated lack of interest in determining whether their investments were indeed generating ‘impact’. On the other end of the impact investment chain, Christodoulou and Banerjee demonstrate that the capacity of asset managers to distribute impact investments is reliant on social entrepreneurs selecting their impact investments over other financial options based on their understandings of a good match.

Moving forward

By embracing the theoretical perspective of ‘translation’, the chapters in this volume move forward our understanding of whether and how the ‘grand idea’

of impact investing has been enacted when it goes local. By moving away from a diffusion framework, these chapters tease out precisely how impact investing – conceptualized and promoted as an innovative and compelling market-based force for change by powerful actors in the Global North – gets resisted, reinterpreted and realized both across different geographical locations and across different places in the impact investment chain. As a whole, these chapters both delineate the variety of ways in which impact investing has been enacted and allow for consideration of the contextual factors that determine those outcomes.

With these contributions in mind, the chapters in this volume also raise critical questions that future scholarship might seek to address. First, if impact investing is conceptualized as a chain of actors engaging in a series of exchanges, then research – drawing from Actor Network Theory (Callon, 1986; Latour, 1987) – might move from the recognition of translation as occurring in an individual case study (that is, as occurring in a particular context) to the consideration of the unfolding of a sequence of translations across the impact investing chain. Employing a path dependence perspective, how do translations earlier in the impact investing chain affect the option/s available to, and choices made by, actors later in the chain?

In addition, having established that impact investing is translated in divergent ways based on locale, it then becomes necessary to investigate whether and how these outcomes have an effect on how impact investing is then articulated and enacted elsewhere, recognizing the power imbalances in place across geographical settings. Attention should be given to whether and how resistance to and the reinterpretation of impact investing by fund managers and/or social entrepreneurs is picked up by institutional entrepreneurs in the Global North. Do acts of translation at the local level lead to the modification of the label of impact investing? In addition, drawing from post-colonial sociology (Edwards, 2020), it might be fruitful to examine how the reality of impact investing in the Global South (as part of the project of the financialization of development) is ‘repatriated’ to the project of the financialization of the social in the Global North. Thus, rather than see varieties of impact investing as following the travel of the label from its instantiation in the Global North to its adoption (or not) in the Global South, instead future research would envision it as a multi-directional process of change (Draude, 2019).

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