FUNDING SOCIAL ENTERPRISES TO ADVANCE THE ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS. THE CASE OF THE SOCIAL IMPACT BONDS

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Abstract

Access to financial resources for SSE entities remains a relevant issue in the spotlight, as despite the emergence of several initiatives and schemes to address this problem, the search for appropriate types of funding is still ongoing. Specifically, the focus of this article will be on the study of SIBs (Social Impact Bonds) which are an innovative financing mechanism that has been more recently developed. It will analyse a type of financing that is conditional on the achievement of results, as well as the actors involved and its role as an innovative system for social enterprises, which overcomes the numerous obstacles that social enterprises often have been encountering when accessing finance.

In order to achieve this objective, the article is divided into five sections. The first section, that is the theoretical background, will provide a discussion of the main approaches to social enterprise, aiming to reach a common understanding of the concept, address the role of these social entities in the SDGs and their financing needs. Then, the second part of the study will offer a framework for understanding as SIBs can be a tool for social enterprises. Finally, conclusions will be drawn about the innovative way of financing social enterprise initiatives represented by Social Impact Bonds.

Keywords: *Sustainable Development Goals, Social Economy, Social Enterprises, Social Impact Bonds, Social Finance.*

1. Introduction

More than profits, there are frontline enterprises looking for overcoming significant challenges over the years. It is the case of Social Enterprises (SEs) that combine business and social and environmental impact. While offering services and products as a *business-as-usual* organization, SEs provide systemic and sustainable solutions to add meaningful value to the world.

Especially in this challenging time characterized by huge inequalities, health crises, increasing vulnerability and environmental stresses, SEs have proven their capacity to provide immediate support while working for a prosperous and sustainable world. In this sense, SEs show that a more responsible and responsive business approach can create economic, social, and environmental value. For these reasons, SEs can also have a key role in realizing the 2030 Agenda.

Adopted by the United Nations (UN) in 2015, the 2030 Agenda for Sustainable Development is a blueprint for achieving peace and prosperity for people and the planet. At the heart of this agenda, there are the 17 Sustainable Development Goals (SDGs) and 169 targets which define priorities and aspirations for 2030. The 2030 Agenda calls for an integrated and interlinked approach among governments, business, and civil society in order to achieve the SDGs.

Nevertheless, innovative, and sustainable solutions designed for unmet needs and societal challenges require considerable economic resources and collective efforts. Over the years, many financial schemes emerged for allowing SEs to implement their actions and boost their impact. It is the case of Social Impact Bonds (SIBs), designed for funding innovative social interventions following a result-based approach.

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This conceptual article explores how SIBs may contribute Social Enterprises to attain SDGs. In order to achieve this objective, the article is divided into five sections. The first section, that is the theoretical background, provides a discussion of the main approaches to social enterprise, aiming to reach a common understanding of the concept, address the role of these SE entities in the SDGs and their financing needs. Then, the second part (section 3) offers a framework for understanding as SIBs can be a tool for SEs, to conclude with the conclusions and bibliographical references.

2. Theoretical background

2.1. Social Enterprise: Concept and definition(s)

Social enterprise has gradually become an important field of research[1] due to the potential in addressing social, economic, and environmental issues. Generally, SEs range along different areas of intervention (such as social services, finance, work integration, circular economy, etc.) using different economic resources like earned income, grants, public procurement, impact investing, venture philanthropy, crowdfunding, etc.[2] moving in various sectors (public, private, volunteer). However, defining social enterprise has not been an easy task. As a concept deep-rooted in national contexts, different meanings of SEs emerged depending on specific internal logics and influential factors.

Especially towards the end of the 20th and early years of the 21st century, confusion and poor clarity characterized the field[3]. Due to the lack of a common definition and universal theoretical framework, existing theories have not been able to capture the rationale and the diversity of SEs[4]. Nevertheless, some scholars pointed out that nowadays social enterprise is a recognized and homogenous concept[5]. Undoubtedly, the legal recognition in several countries has played a role in facilitating its clarification[6].

The starting reference for social enterprise theoretical conceptualization is in two distinct contributions between the end of 1990s and the start of 2002. Specifically, the EMES European Research Network and the British government set a milestone in the theoretical and empirical analysis of such phenomena[7]. The EMES conceptualization represents a methodological tool helping organisations to position themselves in the galaxy of SEs, while the British definition is the result of the UK government in clarifying social enterprise. The need to define and clarify the concept of social enterprise in the framework of the European Action Plan for the Social Economy, which recognises social enterprises as part of the Social Economy[8] , is once again topical and the concept will be further analysed in the near future.

On the one hand, the result of EMES efforts crystallised into the following definition: "SEs are not-for-profit private organisations providing goods or services directly related to their explicit aim to benefit the community. They generally rely on collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy, and they bear economic risks related to their activity[9]".

On the other hand, the British contribution in developing a definition for SEs has been part of a national strategy aimed at re-branding the third sector movement[10], and a in position paper "Social Enterprise: A Strategy

[1] P.A. Dacin, M.T. Dacin, M. Matear, *Social Entrepreneurship: Why Don't Need a New Theory and How We Move Forward From Here* Academy of Management Perspectives 8(3), (2010): 37-58.

[2] V. Patetta, M. Enciso-Santocildes, *Funding social economy entities: from traditional to innovative financial mechanisms*, Revista del Ministerio de Trabajo y Economía Social*,* 153, (2022): 67-81.

[3] J. Defourny, L. Hulgård, V. Pestoff, *Social Enterprise and the Third Sector. Changing European Landscapes in a Comparative Perspective*, London and New York: Routledge, 2014, 1694-1696.

[4] F. Dudays, B. Huybrechts, *Where do hybrids come from? Entrepreneurial team heterogeneity as an avenue for the emergence of hybrid organizations*, International Small Business Journal 34(6), (2016): 777-796.

[5] J. Defourny, L. Hulgård, V. Pestoff, *Social Enterprise and the Third Sector. Changing European Landscapes in a Comparative Perspective*, London and New York: Routledge, 2014, 1694-1696.

[6] G. Galera, C. Borzaga, *Social Enterprise: An International Overview of Its Conceptual Evolution and Legal Implementation*, Social Enterprise Journal 5(3), (2009): 210-228.

[7] J. Defourny, L. Hulgård, V. Pestoff, *Social Enterprise and the Third Sector. Changing European Landscapes in a Comparative Perspective*, London and New York: Routledge, 2014, 1694-1696.

[8] European Commission. *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Building an economy that works for people: an action plan for the social economy***.** COM (2021) 778 final, Brussels, 2021.

[9] J. Defourney, M. Nyssens, *Social enterprise in Europe: Recent trends and developments*, Social Enterprise Journal 4(3), (2008): 202-228.

[10] J. Defourny, L. Hulgård, V. Pestoff, *Social Enterprise, and the Third Sector. Changing European Landscapes in a Comparative Perspective*, London and New York: Routledge, 2014, 1694-1696.

for Success" in 2002, provided the following definition: "A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners"[11].

These two definitions capture the core ideas of SEs: private entities that are part of the market and have a social purpose in order to benefit society. The British definition is more focused on its distinction from capital companies, and the EMES definition is broader, covering issues related to their socio-economic governance. As previously stated, the legal recognition of social enterprise has facilitated its understanding[12] and spreading across the world, especially in Europe. Particularly, the political and legislative EU framework evolved by considering the different school of thoughts, the vibrant scholar debate, and the peculiarity of each Member States[13].

The European Union has also introduced this concept since 2011 through the European Commission Communication on Social Business Initiative (SBI)[14] as a relevant actor in the achievement of the *Europe 2020 Strategy* for a sustainable, smart, and inclusive economy. The definition is in line with the previous ones, especially that of EMES, and includes the same characterizations as the previous ones: "A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and involves employees, consumers and stakeholders affected by its commercial activities".

The social enterprise concept is now generally used in the European Union realm, since 2011 and is understood as part of the social economy and characterized by three main features in the line of a previous document[15]: "Social enterprises operate by providing goods and services for the market in an entrepreneurial and often innovative fashion, having social and/or environmental objectives as the reason for their commercial activity. Profits are mainly reinvested with a view to achieving their societal objective. Their method of organisation and ownership also follow democratic or participatory principles or focus on social progress. Social enterprises adopt a variety of legal forms depending on the national context"[16]. According to the EU criterion, it shares characteristics with social economy entities: primacy of people as well as social and/or environmental purpose over profit, reinvestment of most of the profits and surpluses to carry out activities in the interest of members/users ("collective interest") or society at large ("general interest") and democratic and/or participatory governance[17].

From the analysis of these definitions emerge the two essential characteristics of SE: the coexistence of a commercial activity and a prioritized social mission. Then, while the EMES approach stresses the governance dimension and the non-profit orientation; the British and 2011 European Union definitions highlight the business nature which is at the service of a social purpose. It is highly relevant and deserves to be highlighted the decisive advance in the recognition of its social and governance dimension since the social and governance role of the SE has been strengthened in the latest EU definition[18].

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[11] *Social Enterprise: a strategy for success*, Department of Trade and Industry, 2022, *https://employeeownership.com.au/eoa/wp-content/uploads/2020/08/Social-enterprise-A-strategy-for-success.pdf*.

[12] G. Galera, C. Borzaga, *Social Enterprise: An International Overview of Its Conceptual Evolution and Legal Implementation*, Social Enterprise Journal 5(3), (2009): 210-228.

[13] J. Defourney, M. Nyssens, *El Enfoque EMES de empresa social desde una perspectiva comparada,* EMES Working Paper 13/01 (2013); M. Enciso, L. Gómez, A. Mugarra, *La iniciativa comunitaria en favor del emprendimiento social y su vinculación con la economía social: una aproximación a su delimitación conceptual*, CIRIEC-España, Revista de Economía Pública, Social y Cooperativa, 75 (2012): 55-80.

[14] European Commission. *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Social Business Initiative.* COM (2011) 682/2, Brussels, 2011.

[15] *Ibidem*.

[16] *Ibidem*.

[17] European Commission. *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Building an economy that works for people: an action plan for the social economy***.** COM (2021) 778 final. Brussels, 2021.

[18] *Ibidem*.

2.2. The contribution of SEs to SDGs

In the framework of sustainable development, the SDGs contribute to the achievement of social, economic, and environmental goals, and SSE actors are in the "pole position" to pursue such goals, as entities that not only have economic goals as their *raison d'être,* but also other types of goals: social and environmental[19].

SEs gained momentum amongst scholars, policymakers, and entrepreneurs for the capacity to reshape communities by stepping out of the box to deliver innovative practices. The transformative role of SE implies the ability to contaminate the traditional political structures and promote disruptive solutions to the urgent societal challenges. In 2014, the United Nations, through the Inter-Agency Task Force on Social and Solidarity Economy published a first position paper on the role of SSE entities in the achievement of the SDGs[20], which emerged as a consequence of the insufficient attention given to the SSE in the establishment of the SDGs. This paper highlighted the potential of SSE to achieve the economic, social and environmental goals and integrated approaches inherent to sustainable development. Thus, it is worth noticing that SE´s core mission is perfectly aligned with the SDGs, that is to improve the life of communities through an equitable and inclusive society.

Several scholars have observed that social enterprises contribute to SDGs in the following ways: i) addressing societal challenges as the core mission ii) promoting democratic and participative governance structures and processes iii) combing the environmental with the social and governance aspects of their activities iv) operating at local and community level[21].

In this sense, the UN through the Inter-Agency Task Force on Social and Solidarity Economy published its second position paper on the role played by the social economy entities in achieving the SDGs[22]. Specifically, it has been highlighted how social enterprise can help in areas such as women's empowerment and gender equality, food and agriculture, and eco-social approach. It also highlights opportunities and different forms of policy and legal reform that can provide inspiration and lessons to both governments and state legislatures on how to foster an enabling and inclusive institutional environment for SSE entities. Specifically, as a summary, this paper identifies 4 main approaches through which the SSE contributes to the achievement of the SDGs:

Firstly, an economic approach: through decent work, integration of disadvantaged people into the labour market, income generation, access to markets and finance, ethical and solidarity-based financial practices and investments, and fair trade.

Secondly, a social approach: SSE entities integrate the economy into social values and local territories, involving vulnerable people in ways that reduce poverty, increase labour rights and social protection, and ultimately contribute to social cohesion and the building of more resilient communities. Furthermore, as reported by Castro Nuñez *et al.* (2020), the contribution of the SSE to the SDGs by improving women's participation and working conditions, which is a key factor in terms of empowerment and social advancement, is demonstrated through different analyses carried out[23].

Thirdly, an environmental perspective: generating sustainable production and consumption patterns, activities and innovations that preserve, rehabilitate, and sustainably manage natural capital and introduce adaptation and combat climate change. As highlighted by Quiroz-Niño *et al.* (2017), SSE organizations tend to produce a lower carbon footprint, due not only to their environmental objectives but also to the nature of their production and exchange systems[24].

Finally, a cultural and philosophical approach: SSE preserves the role of ethics, justice, democracy, participation, social relations, and governance, as well as fostering cultural diversity and the interconnectedness between human life and nature.

[19] U. Villalba-Eguiluz, A. Egia-Olaizola, J.C. Pérez de Mendiguren, *Convergences between the Social and Solidarity Economy and Sustainable Development Goals: Case Study in the Basque Country*, Sustainability, 12(13), (2020): 5435.

[20] UNTFSSE United Nations Inter-Agency Task Force on Social and Solidarity Economy, *I Position Paper: Social and Solidarity Economy and the Challenge of Sustainable Development*. Genève, 2014.

[21] M. Hudon, B. Huybrechts, *From Distant Neighbours to Bedmates: Exploring the Synergies between the Social Economy and Sustainable Development*, Annals of Public and Cooperative Economics, vol. 88, issue 2, (2017): 141-154.

[22] UNTFSSE United Nations Inter-Agency Task Force on Social and Solidarity Economy, *II Position Paper: Advancing the 2030 Agenda through the Social and Solidarity Economy,* Genève, 2022.

[23] R. Belén C. Nuñez, P. Bandeira, R. Santero-Sánchez, *Social Economy, Gender Equality at Work and the 2030 Agenda: Theory and Evidence from Spain*, Sustainability, 12(12), 5192 (2020).

[24] C. Quiroz-Niño, M.A. Murga-Menoyo, *Social and Solidarity Economy, Sustainable Development Goals, and Community Development: The Mission of Adult Education & Training*, Sustainability, 9(12), (2017): 2164.

Entities such as the Intercontinental Network for the Promotion of Social Solidarity Economy, for example, have collected a large number of real, intrinsically inclusive local and community initiatives and practices, which encourage the participatory practice of citizens and ultimately achieve the SDGs through the SSE[25], which can serve as an inspiration as well as an indication of the great importance of the SSE when it comes into play in the fulfilment of the 2030 Agenda.

Finally, however, it is worth noting that despite the recognition of the relevance of social enterprises in implementing the SDGs, the second UNTFSSE paper raised some questions about methodologies and indicators able to capture the concrete contribution and impact of social enterprises. In fact, the social enterprise concept is strictly related and rooted in the context where it emerges and for this reason it is hard to develop a standard for evaluation that fits all. It is hard to assess and compare experiences developed in different contexts with different logics behind.

Therefore, there is a need to continuously introduce rules (practices, policies, principles and standards) that are widely accepted, consistent and stable, such as those governing the financial system. Entering a market where there is certainty and transparency will stimulate large and small providers of capital to allocate more resources to financing social initiatives, while demanders will design business models aligned with that supply.

2.3. What social enterprises need to play their part? The role of finance

SSE enterprises and young social entrepreneurs are often at a great disadvantage when it comes to seeking funding for the multiple stages of start-up development. The capacity of a SE to access resources affects the way in which it implements and achieves its actions[26]. Accessing financial resources is still a relevant topic in the debate of SEs. It is not only about demand-side deficiencies related to the SSE entities themselves, but also about supply-side deficiencies related to financial entities that rely heavily on standardised profit criteria[27].

Also, only some types of SSE entities are supported and regulated by law. Weak legal frameworks can limit access to financial services, subsidies, tax incentives, public procurement, and other forms of government support.

Despite the emergence of several initiatives and schemes for addressing this gap, SEs are still looking for the appropriate type of finance[28]. Nevertheless, the centrality of SE' social mission affects its funding relations[29]. On one hand, because of this centrality, SEs have access to a multitude of financial resources[30]; on the other, nature and the type of financial instruments can serve different purposes and affect the social value creation.

The SSE is increasingly accessing hybrid forms of financing involving both private and public loans, grants and state aid and private donations, while reinvesting net profits. This increase in government financial support for the SSE is taking place in a context where social innovation is recognised as key to inclusive and sustainable growth and employment generation.

Over the years, social enterprise funding has evolved rapidly to not only encompass innovative instruments and for-profit finances, but also public and charity finances[31]. By expanding social enterprise financial supply, new initiatives have emerged. The social enterprise funding spectrum[32] includes different approaches, instruments, and traditional and innovative tools that enable the capital for achieving a social return. Ethical and social banking provides access to credit for organizations seeking a social economic impact[33]. Public initiatives

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[25] RIPESS, Intercontinental Network for the Promotion of the Social Solidarity Economy. *How SSE initiatives contribute to achieving the SDGs in the post-Covid context*, Barcelona, 2021.

[26] K. Akingbola, *Resource-Based View (RBV) of Unincorporated Social Economy Organizations*, Anserj, vol. 4 no. 1 Spring / Pringtemps (2013): 66-85.

[27] UNTFSSE United Nations Inter-Agency Task Force on Social and Solidarity Economy, *II Position Paper: Advancing the 2030 Agenda through the Social and Solidarity Economy,* Genève, 2022.

[28] H. Burkett, *Models, methods, and metaphors for the performance improvement professional*, Performance improvement*,* 49 (2010): 2-2; A. Nicholls, *The legitimacy of social entrepreneurship: reflexive isomorphism in pre-paradigmatic field*, Entrepreneurship Theory and Practice*,* 34(4), (2010): 611-633.

[29] J.G. Dees, *The Meaning of Social Entrepreneurship*, The Kauffman Center for Entrepreneurial Leadership (1998).

[30] B. Huybrechts, S. Mertens, J. Rijpens, *Explaining stakeholder involvement in social enterprise governance through resources and legitimacy*, Social Enterprise and the Third Sector: Changing European Landscapes in a Comparative Perspective, edited by J. Defourny, L. Hulgard, V. Pestoff, New York: Routledge, 2014.

[31] S. Phillips, T. Hebb, *Financing the third sector: Introduction*, Policy and Society, 29(3), (2010): 181-187.

[32] A. Nicholls, R. Paton, J. Emerson, *Social Finance*, Oxford University Press, 2015.

[33] E. Abad, M. del C. Valls, *Análisis estratégico de la banca ética en España a través de Triodos Bank. Financiación de proyectos sociales y medioambientales,* CIRIEC-España, Revista de Economía Pública, Social y Cooperativa, N. 92 (2018): 87-120; M. Pedro, S. Santos, *La Banca*

like these in the EU have been promoted since 2011 via the Social Business Initiative or now the European Social Economy action plan (2021) Over the years, the European Commission has provided many schemes dedicated to social enterprise funding ranging from the Regulation on European Social Entrepreneurship Funds to the EU Employment and Social Innovation Program and the Social Impact Accelerator[34]. Within such frameworks, Social Impact Bonds could represent innovative social enterprise funding that affords opportunities for SEs to obtain greater funding while scaling their impact without committing budgets.

3. What does the rise of social impact bonds mean for social enterprises?

3.1. Social Impact Bond: Concept and definition

SIBs were introduced in 2008 by The Young Foundation, a UK-based think tank specialized in social innovation. Social finance further developed the term, a not-for-profit organization working with public bodies, private actors, and social sectors in the UK.

The UK Cabinet Office in 2013 defined the SIBs as a "commissioning tool that can enable organizations to deliver outcomes contracts and make funding for services conditional on achieving results"[35]. Years later, the academic research centre for outcomes-based contracting and impact bond, namely The Government Outcomes Lab (GO Lab), describes SIBs as a form "of outcome-based contracts" where private funding from investors allows providers to implement a social service. "The service is designed to achieve measurable outcomes specified by the commissioner (that is, the government or local authority). The investor is repaid only if these outcomes are achieved."

As stressed in the two definitions, the SIB is a mechanism belonging to the family of result-based and commissioning finance. Usually, the SIB is a contract between an outcome's payer (usually a public actor) and a service provider intending to improve a pre-fixed outcome. An investor who agrees to be paid back when the outcomes are proven and validated by an external validator offers the financing for implementing the interventions.

Thus, the SIB scheme is conceived as an arrangement with the following features[36]:

- a contract between a commissioner and a legally separate entity (*i.e.*, delivery agency or service provider);
- a particular social outcome or outcomes, which, if achieved by the delivery agency, will activate a payment or payments from the commissioner;
- at least one investor that is a legally separate entity from the delivery agency and the commissioner;
- and some or all the financial risk of non-delivery of outcomes sits with the investor(s).

Under a SIB, a social provider receives long-term funding commitments from private (impact) investors to implement or expand social intervention with the support of a public commissioner targeting measurable outcomes[37]. If and how much investors are repaid depends on the intervention results. Typically, SIB contracts establish specific thresholds that must be achieved to pay back investors. The repayments include an interest rate because the outcomes achieved will generate cost savings or social improvement, creating substantial economic and social values.

Ética en Europa: el enfoque del crédito como criterio de configuración de un espacio de alternativa, CIRIEC-España, Revista de economía pública, social y cooperativa, 75, (2012): 276-299.

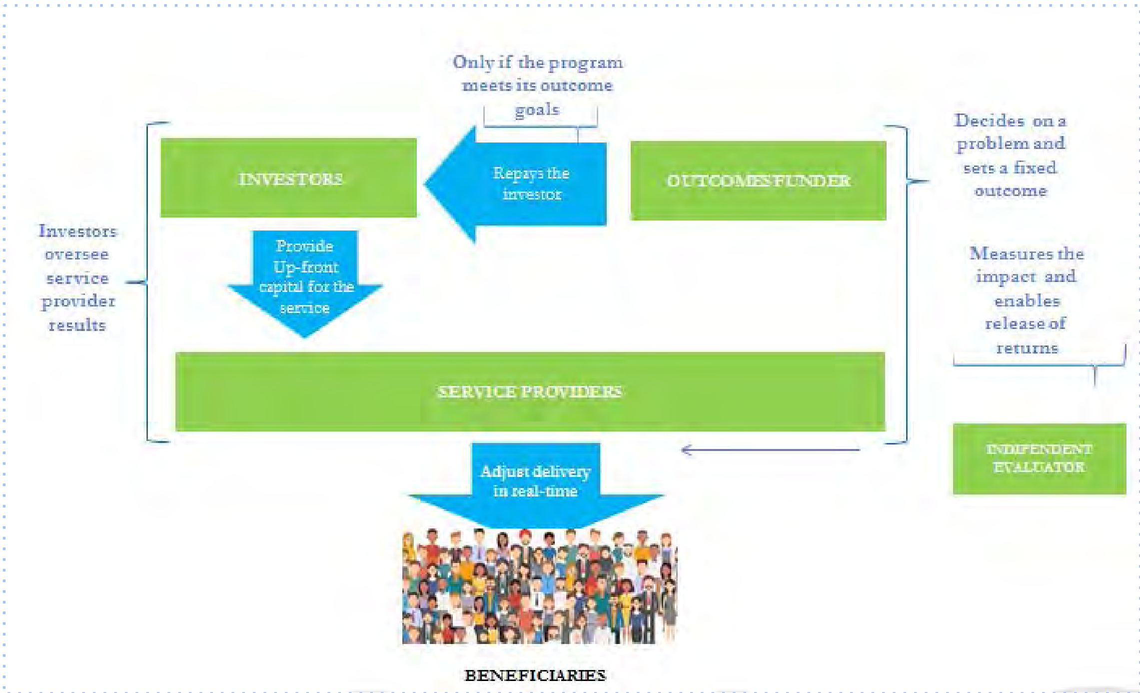
[34] M. Valcárel, *Los fondos europeos de emprendimiento social: su aplicación en España*, CIRIEC-España, Revista de Economía Pública, Social y Cooperativa, 75, (2012): 105-128.

[35] *Knowledge Box - Guidance on Developing a Social Impact Bond*, UK Government, 2013, *https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/646733/Knowledge_Box_Guidance_on_developing_a_SIB.pdf.*

[36] A. Nicholls, E. Tomkinson, *The Peterborough Pilot Social Impact Bond*, University of Oxford - Case Study, 2013, *https://emmatomkinson.files.wordpress.com/2013/06/case-study-the-peterborough-pilot-social-impact-bond-oct-2013.pdf.*

[37] G. Peter, Dagher Jr., *Social Impact Bonds and the Private Benefit Doctrine: Will Participation Jeopardize a Nonprofit's Tax-Exempt Status?,* Fordham Law Review, vol. 81, issue 6 (2013): 3479-3519.

Figure 1: Social Impact Bonds (SIBs) general functioning scheme



Source: Elaborated by the authors

As described in the figure above, SIBs involve different actors. The commissioner contracting SIBs is usually a central or local government body. The involvement of a public actor in this type of scheme is related to the possible social cost savings associated with the social intervention. In this sense, only in cases of successful programs, the public commissioner repays the investor. Failures in meeting the agreed outcomes will negatively affect the financial actor, who will bear the partial or total loss. Although the public actor sets the desired social outcome, the investor provides financial resources to the social provider to ensure the intervention's deliverance for the specific social need. By offering a mixture of work and risk capitals[38], SIBs allow social organizations acting as social providers to enjoy stable, long-term funding[39]. The social provider involved is the actor that delivers the intervention to the final user. Usually, the social provider is a socially oriented organization. However, it can also be a for-profit enterprise. Apart from traditionally outcome-based commissioning schemes, upfront working capital is provided by investors who bear the risk of non-performance. After the contract, governments can decide to fund the directly involved service provider through another SIB, wherein investors will only receive a return if the fixed outcome is achieved. Then, the external evaluator monitors and assesses the agreed outcomes' achievement. Lastly, the beneficiary or the target group is the population who received the intervention.

3.2. Social Impact Bonds: an innovative scheme for funding Social Enterprises?

SIBs are thus configured as multi-year and multi-stakeholder partnerships. This entails both commissioning and funding innovations. On one hand, SIBs introduce a new funding structure for the relationship between the government and social sector organizations[40]. On the other hand, SIBs express new logic, new actor, and improved financial schemes recently developed, including impact investing and social finance. The development of these practices and emerging actors can be seen clearly through the lens of the financialization and privatization of the public interest[41].

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[38] D.R. Young, *Financing Nonprofits and Other Social Enterprises: A Benefits Approach*, Edward Elgar Publishing House, Georgia, 2018.

[39] G. Peter, Dagher Jr., *Social Impact Bonds and the Private Benefit Doctrine: Will Participation Jeopardize a Nonprofit's Tax-Exempt Status?,* Fordham Law Review, vol. 81, issue 6 (2013): 3479-3519.

[40] C.M. Balboa, *Accountability of Environmental Impact Bonds: The Future of Global Environmental Governance?,* Global Environmental Politics, MIT Press, vol. 16(2) (2016): 36-41; N. McHugh, S. Sinclair, M. Roy, L. Huckfield, C. Donaldson, *Social impact bonds: A wolf in sheep's clothing?* Journal of Poverty and Social Justice, 21(3), (2013): 247-257; M.E. Warner, *Private finance for public goods: social impact bonds*, Journal of Economic Policy Reform, 16(4), (2013): 303-319.

[41] E. Chiapello, *Financialisation of Valuation*, Human Studies 38 (2015): 13-35.

Leveraging varieties of pay-by-results contracts, SIBs are poised to change the way in which welfare services are delivered by focusing on outcomes rather than actions. By introducing a market-based approach to the social services, several key implications have emerged in the literature: increased flexibility, better service delivery, social impact measurement, and scaled-up impacts. But also, distortive and incentives such as creaming or cherry picking and mission drift.

Upfront working capital and long-term funding enable SEs to become more responsive and solution-oriented by adapting their interventions, which otherwise would not occur without private financing. Under a SIB, SEs are not required to follow prescribed activities, but are rather pressed to achieve certain outcomes. Thus, flexibility in selecting and adjusting social intervention helps the social enterprise deliver innovative solutions. Furthermore, SIBs encourage SEs to develop and promote new organizational cultures based on impact measurement. Delivering SIB intervention requires data collection, reporting, and impact measurement. The efforts and complexity associated with structuring a SIB contract are widely accepted because of potential tangible community improvements and resultant social change. Accessing capital to scale-up interventions with measurable results might also incentivize SEs to scale up their impact.

A very positive element is that this mechanism provides the social enterprise with multi-year funding, to avoid dependence on subsidies in many cases on an annual basis, while the problems addressed by the SEs are structural by its own nature and normally require long-term activity to achieve the desired results. On the other hand, due to its multi-stakeholder nature involving public and, as a novelty, private actors (social investors), it allows access to financing models that would not otherwise exist and enables SEs to achieve their social purpose, which would otherwise be more difficult.

It is remarkable the fact that the mechanism itself includes the achievement of results, *i.e.,* there is a shift from the concept of social service provision with a focus on the actions carried out, to a model based on the achievement of previously determined objectives. This mechanism helps to measure the social impact attained. On the one hand, it allows the assessment of the achievement of the sustainable development objectives, which one(s) and in what concrete way. It also favors the dissemination of the results to society and in general to the stakeholders, and therefore the visibility of the social effects of this type of organizations, which is its logic and differential raison d'être. It is also essential for assessing, from the perspective of the efficiency of public finances, the aid provided, and the social return involved.

4. Conclusions

Social enterprises have been considered by their nature and purpose as particularly conducive to the achievement of the SDGs, as recognized by the United Nations and the specialized literature. Their effects on unmet social challenges and their governance model have earned them interest and the creation of a line of work on them both by different organizations (United Nations, European Union, etc.) and by the scientific literature.

These are entities that develop economic activities (production and services) for the market, are not for profit, and with the maximum aspiration of achieving a social impact, benefiting the community, and addressing unmet social challenges. This approach, radically different from as usual businesses, in turn implies a differential model both in terms of economic governance (reinvestment of possible profits obtained in the entity itself and its beneficiaries), corporate governance (democratic management and collaboration with stakeholders) and its own functioning articulation, which is innovative and disruptive.

In order to achieve these desirable outcomes, securing funding is essential and of utmost relevance for social enterprises. There has been an evolution in financing mechanisms, from more traditional models to more evolved and complex ones, which include the social component in the financing mechanisms. Within this realm, SIBs could represent an innovative way to fund social enterprise initiatives.

Despite their limitations, SIBs may help SEs in accelerating their social impact. By receiving up-front capital and working in closer collaboration with other private and public actors, SEs can better focus on the development of tailor-made solutions which really are helpful for the target population and for the achievement of the SDGs.

Assessments of the degree of compliance with the Sustainable Development Goals show that progress is being made, albeit at a slower pace than set and that would be desirable. This is why, with only 7 years to go before the deadline, it should continue to be the object of attention, among other aspects, through scientific studies and analyses. It is also of utmost importance to continue to deepen the aspects of financing social entities, combining both more traditional mechanisms and those of a more innovative nature, like the SIBS.

In this way, progress could be made towards a higher rate of compliance with development objectives. In fact, at EU level, the Next Generation Europe funds finance different types of actions aimed at achieving a more cohesive Europe. In the framework of the European Action Plan for the Social Economy, and more specifically for this type of social entities, the financial dimension is understood as a key element for the development of this type of enterprises and their recognised socio-economic effects. This research is therefore rooted in a consolidated line of research, which is both open and forward-looking, regarding the need for funding from social entities to boost the SDGs.

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