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A fictitious commodification of local development through development impact bonds?

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ABSTRACT
This article explores the dynamics of an emerging innovation, the development impact bond (DIB), a contract established among several actors with a development objective. Because there has been limited exploration and questioning of the ideologies behind the DIB, the aim here is to address this issue. This work, based on a literature review, is a contribution to understanding DIBs in the specific context of developing countries but, more generally, the financialization of social initiatives and the implication for the governance of local scales. I show that DIBs can be thought of as “fictitious commodities” exchanged within private–private partnerships. If the local states become a key component of the new modes of local regulation, favoring the supranational and subnational scales, local authorities are not involved in DIBs. The evolution of welfare as a development, through the question of this local scale, with the growing involvement of the private sector is therefore of great importance.

Introduction
This article explores the dynamics of an emerging innovation, the development impact bond (DIB), which results from the partnership between Social Finance UK, strongly involved in social impact bonds (SIBs), and the Center for Global Development (CGD). Despite the efforts to achieve the current sustainable development goals, much work remains. An international consensus is emerging regarding performance-based mechanisms as good practices in this regard, and the first DIBs have been established. A DIB is a contract among several actors with a common development objective. Investors provide funds to implement an intervention; for example, to increase the number of girls in school in India or to improve the agriculture of Peruvian farmers. Service providers work to achieve this objective, and outcome funders and external development agencies repay investors their principal plus a financial return if the results are delivered. Another independent actor verifies the results. DIBs are currently located in the Global South.

Because there has been no investigation of the ideologies behind and paradigm of DIBs within a recent global consensus about impact bonds, the aim of this article is to address this problem, particularly the fact that DIBs are private–private partnerships attempting to improve local development without involving local and national governments. DIBs are presented as innovations with a stronger territorial anchoring and a new configuration among actors. However, are DIBs not the mark of a “fictitious commodification” of development, designed to attract investors in a market by monetizing social and environmental impacts on development? This institutionalist analysis is divided into three parts, relying on a Polanyian framework. In the next section, I review the creation and implementation of the DIBs to understand the narrative behind it and the actors who promote it. Then, I focus on the existing experiences related to the DIB to understand its dynamics. I thus show that DIBs can be thought
of as “fictitious commodities,” avoiding the local and national scales in developing countries and favoring international governance. A discussion follows. Along with this argument, I will link DIBs to SIBs, from which they originated. Many issues are similar between SIBs and DIBs, but the academic literature focuses mainly on SIBs, because there are more implemented experiences to evaluate and question. This work, based on a literature review, is a contribution to understanding the DIB as a new initiative in the specific context of developing countries but also, more generally, the financialization of social initiatives over several years and the implication in terms of the governance of local scales and realities.

The emergence and diffusion of DIBs
Polanyian framework and methodology

The work of Polanyi is essential to understanding the construction of the new DIB market. Markets stem from institutionalized processes. In the logic of the market, each individual is interchangeable, equivalent. The work of Polanyi thus rests on a fundamental element that is the essence of the self-regulated market: the fictitious commodities (Polanyi, 1944/2001, 1977). The commodity is a social–historical creation, a process. “Commodity transforms this substrate, homogenizes it and makes it circulate indefinitely, apparently according to human needs, but in truth to the abstract enrichment desire peculiar to the dominant actors of the system” (Sobel, 2007, pp. 11-12, translation by the author). It is from this perspective that Polanyi analyzed the commodification of land, labor, and money, a fiction that is at the basis of the creation and maintenance of an unbridled, self-regulating market.

In a market economy, the status of a commodity is based on two characteristics: it is the result of a private professional activity (production criterion) and becomes a commodity through its social validation on the market (validation criterion; Postel & Sobel, 2010). Thus, just as with land, money, and labor, development is not a commodity in a deterministic way, nor is it the product of a capitalist production process. Development affects the improvement of living conditions, the fight against inequalities, the protection of the environment, etc. These are all essential elements of social life. Development does not have the social existence of a commodity. Moreover, the criterion of market validation does not correspond to development programs. Development is a whole, integrating a large number of stakeholders with very diverse interests whose borders are vague. However, while development programs have evolved, DIBs seem to mark a new stage, which it is relevant to study in the light of Polanyian theories.

This is thus an institutionalist approach to the creation and implementation of DIBs within development policies. The methodology relies on a review of the literature, done by the author, about Table 1.

I analyzed this literature in two stages. In the first stage, I focused on the narratives behind SIBs and DIBs, which present, as we will see, similarities, but also differences. The object of this section was to understand the ideologies, actors, debates, and critiques surrounding these initiatives. The second stage will be the focus of the following section. Emerging from my principal question and from this analytical framework, the goal was to understand, for the production criterion, the actors involved in DIBs (public/private, international/local), the process of production (professionalization), and, for the validation criterion, the process of construction of a market, the way to value DIBs, and how to measure the outcomes. I went deeper by analyzing two specific cases, the two first experiences of effective DIBs, in India and Peru, in order to understand their functioning and dynamics at work. Thus, my goal here is not

<table>
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<th>Table 1. Literature review.</th>
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<td>Academic literature</td>
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<td>On SIBs mainly</td>
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to evaluate such mechanisms but to understand their underlying ideologies, their environments, and the actors who promote them and to question the impact of such ideologies on development.

From SIBs …

Since 2010, SIBs have been increasing globally, in the context of spreading austerity and the lack of financing for social welfare services in the developed world, in relation to the narrative of crisis “in which society has to pay through spending cuts and individual and community self-reliance to ensure future economics and employment growth” (Joy & Shields, 2013, p. 43). SIBs are a type of “pay for success” initiative based on a multistakeholder approach to achieving defined and specific outcomes, as shown in Figure 1.

Relying on the agency theory, SIBs are designed to create an incentive structure that can align the interests of all actors involved (Maier & Meyer, 2017). These initiatives emphasize contractualization, performance measurement, and public–private partnership principles (Warner, 2013). SIBs are presented as “win–win” initiatives for private investors and governments.

However, a growing portion (even if still a minority) of the literature regarding SIBs is a criticism of the monetization of welfare services and a manipulation of the organizations of the social economy as service providers (Joy & Shields, 2013; McHugh, Sinclair, Roy, Huckfield, & Donaldson, 2013; Sinclair, McHugh, Roy, Huckfield, & Donaldson, 2014; Warner, 2013). When looking at the DIBs, I position myself in this critical literature regarding impact bonds but from the perspective of the developing world. One problem emerges quickly when considering DIBs: they follow the same logic and processes as SIBs but in very different contexts with different actors that have different relationships among them. For example, the question of welfare itself is different in the UK, India, and Uganda. The main difference between SIBs and DIBs is the outcome payer: the government for SIBs and donors for DIBs.

… to DIBs

For DIBs, the narrative is not built on the same origin, but it presents the same trends. The starting point is not the financial crisis but, more generally, the lack of money and the problems in the allocation of this money for development. The trend is also toward greater transparency and

![Figure 1. SIB mechanisms. Data from Social Finance (2012, p. 12).](image-url)
accountability through stronger monitoring and outcome evaluation controls, as well as the growing involvement of the private sector (Alenda-Demoutiez, 2016). In this narrative, DIBs are presented as “a paradigm shift in how we fund social programmes” (Development Impact Bond Working Group, 2013, p. 21) to make the links between donors and providers more flexible. DIBs intervene when SIBs are not possible, because the state does not have the resources or does not inspire confidence in investors.

Who is behind this narrative of DIBs? The CGD has collaborated with Social Finance UK, which launched the first SIB in the UK to develop DIBs. The CGD is an influential think tank based in Washington, DC, that lawmakers, government officials, and media have long relied on to provide independent analysis. Aid effectiveness is one of the focus points of the CGD, founded in 2001. This led to the first report in 2013, also involving, as a co-chair, the Overseas Private Investment Corporation, a self-sustaining U.S. governmental agency that focuses on helping American businesses invest in emerging markets. They gathered several institutions into a working group dedicated to the writing of this report: public authorities (UK Ministry of Justice and Department for International Development [DFID], Swedish Ministry of Foreign Affairs), donors (World Bank, United States Agency for International Development [USAID]), American philanthropic organizations (Omidyar Network, Rockefeller Foundation, Bill & Melinda Gates Foundation, Kepler), and private companies (Citigroup, Lion’s Head Global Partners). The private financial sector is involved from the beginning, alongside institutions that represent the current international expertise in development.

In addition to these original promoters, other institutions have taken an interest in DIBs, such as the Brookings Institute, another Washington-based think tank, which has spread its influence since its inception in 1916 in many areas and thus plays an important role in policymaking in the United States and internationally. These various institutions are part of the so-called philanthropy venture. It is a question, in a sense, of moralizing capitalism without questioning the system itself (Laville, 2010).

As for SIBs (Roy, McHugh, & Sinclair, 2017), there is a growing uncritical enthusiasm around DIBs. Owen Barder, Senior Fellow and Director for Europe at the CGD, said in a blog post that even “preferring to see ideas tested and evidence gathered before reaching conclusions … the more the Working Group considered the opportunities offered by Development Impact Bonds and the pilots being developed, the more enthusiastic we became” (Barder, 2013, para. 7). During the 2013 conference organized by the Rockefeller Foundation to present DIBs, this narrative and enthusiasm continued. Zia Khan, the vice president of the foundation, declared, “DIBs hold promise as the next evolution of innovative finance for meeting global development goals” (Center for Global Development, 2013, para. 2), a very ambitious statement. “This is a time for leadership,” said Barder. “These benefits can only be realized if some pioneering funders and investors are willing to bear the upfront costs of creating a new market. Heroes wanted!” (Center for Global Development, 2013, para. 12).

Therefore, even if these initiatives are young, do not rely on strong evidence, and are developed in concert with the financial sector, the international expertise in development has built a consensus, pushing the various actors to engage in experiences in the developing world. The working group relied on the Peterborough SIB, the first one launched by Social Finance UK in 2010 (Development Impact Bond Working Group, 2013). With this single experiment, which has not shown an unqualified success, the promoters of the initiative, supported by the UK government, portrayed it as a huge success, spreading this positive narrative. However, this success is based on the innovative aspect of the experiences rather than the outcomes, which are still not that impactful (Roy et al., 2017).

**DIBs and the development paradigm**

The history of the institutional dynamics of developing countries has created a particular hierarchy among the actors involved in development. This goes back to the structural adjustment programs of
the 1980s, implemented in order to obtain financial support from international financial institutions, disseminating the neoliberal doctrine within development. States had to cut back on excessive spending, privatize, and withdraw from certain sectors in order to stabilize macroeconomic balances (Alenda-Demoutiez, 2016). Three institutions—the International Monetary Fund, the World Bank, and the World Trade Organization—gradually became the pillars of the global economy and development strategies (Favreau, 2003). Since that time, the private sector has been the main funder of development worldwide.

Since the 1990s, international institutions saw their recommendations shifting gradually toward good governance. The importance of the role of civil society is increasing in this context in order to compensate for the shortcomings of the state. Building on the public choice theory, international institutions develop best practices to improve institutions supporting markets in developing countries (Baron, 2006). Good governance is accompanied by a high quantification of data. The rhetoric of good governance concentrates all of the reasons for the failure of development on “bad governance” and on the ineffectiveness of aid (Collier & Dollar, 2001).

The framework of good governance has promoted the development of new mechanisms in order to hybridize public and private resources and, above all, to better allocate aid: performance/results-based financing (PBF/RBF), new flagship initiatives in development within the last decade. Traditional payment mechanisms fund interventions, whereas PBF/RBF funds outcomes. Because the international financial institutions and donors were looking for better accountability and already developed PBF/RFB initiatives to achieve this goal, DIBs were quickly seen as a new effective mechanism to continue in this way. In 2015, The World Bank wrote on its website that DIBs and SIBs “are among the more exciting and potentially promising instruments to recently enter the innovative financing market” (World Bank, 2015).

Therefore, the principal interest for donors is to avoid the risks related to development programs and to improve the allocation of their funding if they have to pay a return to the investor. The investor, for his part, bears the risk but is hoping to make a return on his investment (Development Impact Bond Working Group, 2013). The service provider, mainly nongovernmental organizations (NGOs), continue to look for money to engage in development programs in the field and to scale up interventions (Gustafsson-Wright, Gardiner, & Putcha, 2015).

A private–private partnership toward local development

The production criterion

A private activity

When looking at the implemented DIBs as well as those currently being designed, shown in Table 2, the actors involved are mainly international organizations already familiar with working with PBF/RBF or are already strong actors in the development sector.

We can see first that, with the donors, the outcome funders are Western countries, USAID, the United Nations, The Children’s Investment Fund Foundation (a major English philanthropic organization), etc. On the investor side, we find mainly foundations. The UBS Optimus foundation, in particular (UBS is the largest bank in the world), is becoming involved in this progression of DIBs. It worked as the investor for the Educate Girls DIB and for the Utkrisht Impact Bond. Some organizations, such as Instiglio, took the opportunity to develop over several years as intermediaries to follow the growing process of SIBs and DIBs. However, Palladium International, an advisor and management business that has specialized in positive impact for 50 years, was already present in this sector as one of the largest private partners with the DFID. The service providers are NGOs, again mainly at the international level, such as Rainforest UK (RFUK), the Red Cross, and Village Enterprise. Nevertheless, some national NGOs and organizations can be involved, such as Educate Girls in India.

Finally, the presence of local or national government is very limited. DIBs “should be structured to avoid setting up systems that are parallel to a government’s own systems” (Development Impact
The state or any local government can intervene to support the DIB but may not participate. The Village Enterprise DIB exists in several regions in Uganda, but the public authorities are not even mentioned in the DIB scheme. In the case of the Utkrisht Impact Bond, the plan is that, if the project is successful, there will be a second step taken in the future with an SIB and the participation of the government.

Having said this, it is also important to note that DIBs are private–private partnerships involving civil society but not public authorities. For the PBR/RBF arrangements, the government has an active role in controlling the selection of service providers. In the SIBs, there is no longer this relation between the government and the service provider (McHugh et al., 2013). With DIBs the process goes further. Their promoters present DIBs as devices that allow for a better anchoring in the local context (Development Impact Bond Working Group, 2013; Goodall, 2014) but exclude local institutions.

**Professionalization and performance management**

The idea is that private investors could disseminate practices considered good as being the best. “By bringing rigour to DIB service delivery, performance management and outcome measurement, investors can play an important role in driving performance to achieve better social outcomes” (Development Impact Bond Working Group, 2013, p. 12). This situation, this need for a high efficiency, leads to two consequences.

The first one is the actual selection of the service providers. Because states are sometimes accused of bad governance, since the 1990s, international donors have increasingly relied on civil society, which is thought to be neutral, apolitical, more flexible, and less expensive. However, the logic itself

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### Table 2. Examples of DIBs around the world.

<table>
<thead>
<tr>
<th>DIB</th>
<th>Timeline</th>
<th>Investment and return on investment</th>
<th>Actors</th>
</tr>
</thead>
<tbody>
<tr>
<td>RFUK DIB</td>
<td>Finished 2015</td>
<td>$110,000 0 to reimbursement of the original amount $67,000</td>
<td>Common Fund for Commodities; Schmidt Family Foundation; Rainforest UK Foundation; KIT</td>
</tr>
<tr>
<td>Educate Girls DIB</td>
<td>Implemented 2015–2018</td>
<td>$267,000 10%–15%</td>
<td>UBS Optimus Foundation; Children’s Investment Fund Foundation; Instiglio; Educate Girls; IDinsight; Dalberg Global Development Advisors; Linklaters; and Reed Smith</td>
</tr>
<tr>
<td>Humanitarian impact bond</td>
<td>Implemented 2017–2022</td>
<td>26 million CHF (Swiss franc) 40% of the original investment is lost at worst, 7% at best</td>
<td>New Re (part of Munich Re Group), Bank Lombard Odier; International Committee of the Red Cross; governments of Belgium, Switzerland, Italy, UK; and “La Caixa” Foundation</td>
</tr>
<tr>
<td>Village Enterprise DIB</td>
<td>Implemented 2017–2020</td>
<td>$5.26 million 16%–18% if performance is improved more than the objective</td>
<td>USAID; DFID; anonymous; Village Enterprise; IDinsight; Instiglio and Global Development Incubator; Bolands; the Cartier Foundation; the Greater Impact Foundation; Geneva Global; the Younger Family Fund; and the Segal Family Foundation</td>
</tr>
<tr>
<td>Humanitarian impact bond</td>
<td>Implemented 2017–2022</td>
<td></td>
<td>New Re (part of Munich Re Group), Bank Lombard Odier; International Committee of the Red Cross; governments of Belgium, Switzerland, Italy, UK; and “La Caixa” Foundation</td>
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</tr>
<tr>
<td>Utkrisht Impact Bond</td>
<td>In design</td>
<td>$3.5 million Maximum 8% (15% implementation partnership)</td>
<td>UBS Optimus Foundation; Population Services International and HLFPT; Palladium; USAID; MSD for Mothers</td>
</tr>
<tr>
<td>Cameroon Cataract DIB</td>
<td>In design</td>
<td>$2 million Maximum 8%</td>
<td>AEDES/IRESCO; Africa Eye Foundation; CGD; Conrad N. Hilton Foundation; Fred Hollows Foundation; Sight savers; D. Capital Partners; fundraising in progress</td>
</tr>
</tbody>
</table>

*This table is not exhaustive.*

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Bond Working Group, 2013, p. 87).
of development aid, through calls for proposals and competition, promotes already well-established NGOs, considered as subcontractors with specific objectives (Lavigne Delville, 2015). It goes even further with the DIBs, because the principle is to limit the risk for the investors in order to attract them. Thus, there is a need to rely on service providers that will have the capacities to achieve the expected results (Goodall, 2014).

5 Liebman and Sellman (2013), in their handbook about SIBs in the United States, highlighted the alignment of SIBs with the priorities of governors, mayors, and county executives. This is not the case with DIBs, which consider that, as in other development policies, the international actor is often more legitimate and brings significant experience.

To ensure that the interests of the investors are well understood, the second consequence is the strong role of the intermediary in several DIBs to provide project and performance management. The CGD conceives of the intermediary as an actor able to compensate for the deficiencies of the providers, the areas of monitoring, and management skills (Development Impact Bond Working Group, 2013). This marks a professionalization of development not unique to the DIBs but that has gone through all of the development policies for several years. This opens up opportunities for “social entrepreneurs” to establish agencies to provide investment advice (Whitfield, 2015), such as Instiglio.

The validation criterion

Building of a market and competition

“A programme of austerity and retrenchment lends legitimacy to the argument for more innovation, and the discourse of markets and business has been championed in these circumstances” (McHugh et al., 2013, p. 251). This analysis of SIBs is also relevant regarding DIBs. In the DIB Working Group report, the term market is frequently mentioned. In the plans to improve DIBs, the CGD highlights the high transaction costs (legal fees, financial intermediary, technical services), insufficient information, and the fact that investors often cite the lack of financially viable social opportunities. In the absence of evidence that DIBs can bring about a financial return, investors are not encouraged to invest large amounts of capital; this seems logical.

A viable market of investors and outcome funders will gradually need to form. A mature market will require: (1) a robust supply of investors, (2) confident demand from outcome funders, and (3) market infrastructure, or mechanisms that facilitate the investors and outcome funders doing business together. (Development Impact Bond Working Group, 2013, p. 42)

The language of the marketplace is intended to change attitudes and priorities and embed the idea of commodification (Whitfield, 2015).

The monetization of development goals

“DIBs transform social problems into ‘investible’ opportunities by monetizing the benefits of tackling social problems” (Development Impact Bond Working Group, 2013, p. 7). The goal is to attract investors in a market, that of the DIBs, by monetizing social and environmental impacts on development. For the humanitarian impact bond, the pricing is based on an outcome-based staff efficiency ratio, which is the number of beneficiaries who gained mobility per local rehabilitation professional at the end of the intervention. The Village Enterprise DIB will reward increases in income, using consumption and assets as payment metrics.

The return rates are very important in the DIB process of attracting investors to this new market and to compensate for the risk of funding actions in developing countries. Thus, they are more important than for the SIBs: 10%–15% for the Educate Girls DIB; up to 18% for the Village Enterprise DIB; and 8% for both the Finance for Jobs Project and the Utkrisht Impact Bond (Table 1).
**A quantitative measure of outcomes**

The evaluation is mainly quantitative like all PBF/RBF mechanisms. The performance is presented as positive. It refers to the idea, as presented by the promoters of DIBs, of a quantified comparison of a result with a simple and targeted objective in a context of accountability, which is not negative in itself. However, this echoes the idea of a “total performance” (Jany-Catrice, 2012). Performance management reinforces the coordination of agents through contracts. In the case of DIBs, the evaluation of performance objectives will make it possible to distinguish the difference between “good” and “bad” projects and between good and bad service providers over a longer term, thus illustrating the competitive characteristic proper to a commodification. The humanitarian impact bond measurement is based on the benchmark approach. The Cameroon Cataract DIB would be evaluated by a biannual audit and spot verifications of patient samples.

**Educate Girls and RFUK DIBs**

**Private, professional, and international actors**

The idea of the Educate Girls DIB began in 2012. Safeena Husain, executive director of the Indian NGO, contacted Instiglio to get support for a proposal launched by the UK DFID. It was not successful. However, Husain presented the project to the chief executive officer of the UBS Optimus Foundation. The idea of a DIB emerged. The UBS Optimus Foundation asked the Children’s Investment Fund Foundation, with whom they had already worked, to assume the role of the outcome payer (Saldinger, 2016). The organization of the DIB is illustrated in Figure 2.

In the case of RFUK, the DIB was a small part of a broader project. The foundation, based in London, has been working since 2008 with indigenous Asháninka families in the central Peruvian Amazon to produce cocoa and coffee. In 2014, an infection devastated a part of the plantations. Thus, the goal was for RFUK to support local farmers in dealing with this situation and improve the infrastructure (Janus & Holzapfel, 2016). The scheme was much simpler than that for the Educate

![Figure 2. Structure of the Educate Girls DIB. Data from Instiglio (2015, p. 8).](image)
Girls DIB, because only the inner circle is present. The Schmidt Family Foundation (investor), RFUK, and the Common Fund for Commodities (outcome payer) agreed to try a DIB with a small first initiative (Belt, 2015). The KIT Royal Tropical Institute, a Dutch foundation, was the evaluator.

In the case of the Educate Girls DIB, even if the service provider was at the initiation of the DIB, Instiglio, the intermediary, seemed to be the central actor in the entire process. The organization helped to design the bond, determine which outcomes to measure, monetize it, and structure the needs of each partner (Saldinger, 2016). It also provided performance management to the service provider. In the RFUK DIB, the Schmidt Family Foundation did not intervene; it did not provide entrepreneurial knowledge or expertise (Janus & Holzapfel, 2016). Thus, this turned out to be a prime example of the notion that the investor, motivated by getting its investment back and ideally obtaining a reasonable return on it, will assist the service provider to operate in a more entrepreneurial, result-oriented way, is potentially a very attractive proposition but in this DIB this relationship was still to emerge. (Belt, Kuleshov, & Minneboo, 2017, p. 142)

In both cases, the involvement of the national and local states is limited. In the case of the Educate Girls DIB, government agreement was necessary insofar as the DIB was implemented in public schools, but the local government of Rajasthan was not involved in any meetings concerning the DIB. It was the mission of the service provider to include this agreement with the government to facilitate the process. In Peru, RFUK and the government had forged ties to secure land rights for the Asháninka people since 2008 for their own long-term program, not directly to approve the DIB.

Pricing, quantification, and contracts
In the Educate Girls DIB, the outcome funder would pay the UBS Optimus Foundation $44.06 for each learning gain among boys and girls in grades 3–5, and each girl enrolled was valued at $929 (Instiglio, 2015). In the RFUK DIB, the pricing was established at several levels, depending on the level of achievement. For example, when “the target for an indicator is 75% achieved, the commissioner will reimburse the investor with 75% of the amount available for that indicator, or $20,625” (Belt, 2015, p. 4). One of the sticking points of the negotiations for the creation of the Educate Girls DIB was how to evaluate the progress made, because the outcome payer and the investor wanted a very rigorous evaluation, whereas Educate Girls wanted to use a more scalable form of measurement (Saldinger, 2016). A qualitative methodology was applied in the evaluation of the RFUK DIB (direct observations, focus groups, discussions, and informal interviews), but the outcome was also well calculated from quantitative indicators (improve the cocoa yield, increase in the number of coffee plots, etc.).

In the case of the Educate Girls DIB, there was a financial interest in addition to the amount invested. In the case of the RFUK DIB, no interest was foreseen. The risk was lower because several levels of repayment were planned. Thus, within a group of investors, interests are varied: the return on investment can be desired for profit but also to recycle funds for other programs afterward (Hughes & Scherer, 2014; Mulgan, Reeder, Aylott, & Bo’sher, 2011).

In both cases, several contracts are established between the different actors (Belt et al., 2017; Instiglio, 2015). However, rather than a complementarity between institutions, there is a hierarchy between them. These tensions are illustrated by remarks made about Vikram Solanki, one of the program managers of Educate Girls, who manages the extraordinary pressure of delivering on the DIB’s ambitious targets while not losing sight of Educate Girls’ core mission. In one of our hallway conversations, he shared his fear that the DIB could reduce the NGO’s work to a simple exercise of accounting for results. (Gungadurdoss, 2016)

The relations were not the same in the RFUK DIB, which had a different history and stake than those of the Educate Girls DIB.
The present section leads us to two conclusions. The first is that, according to my analytical framework, the professionalization, private–private partnership, and absence of local governments and the state favor the fictitious establishment of the productive character of DIBs as a development program. The second is that the building of competition, the quantification assessment, and the monetization of outputs and individuals attest to the search for a social validation of the DIBs in a market under construction. These elements raise important questions, because the DIBs are intended to quantify both production standards, as in the RFUK DIB, and complex social realities, as in the Educate Girls and Village Enterprise DIBs.

Discussion

**DIBs as an ideological shift?**

According to various authors (McHugh et al., 2013; Roy et al., 2017; Sinclair et al., 2014), SIBs actually represent a boundary and ideological shift in welfare states. However, what about DIBs regarding the evolution of the development framework?

First, DIBs can be considered as an innovative mechanism. They are not public–private partnerships such as SIBs but private–private partnerships, involving civil society and no public authorities. In the end, we see here that power changes hands: in the traditional patterns of PBF/RBF, the donor defines the way forward. In DIBs, it is no longer the donor but the investor and his intermediary who define the plan. However, considering the institutional dynamics, ideologies, and values behind these mechanisms, there is in fact a continuity within the development programs that have existed so far.

In this view, civil society seems to be first and foremost a service provider. DIBs are therefore important in creating an incentive for “service providers to strive for better outcomes” (Goodall, 2014, p. 7). This is moving away from the vision of civil society as an advocate for change, echoing current and important issues with regard to the social and solidarity economy and philanthropy. However, this vision, at the level of civil society organizations and NGOs, is restrictive. The DIBs continue to accept a concept, the civil society, popularized by the World Bank and derived from international relations engineering, which would allow the actors of a heterogeneous world to globalize hand in hand (Bayart, 2001; Lavigne Delville, 2015).

**The question of the absence of the national and local scales**

In the basic logic associated with DIBs, national and local scales are missing. The organization between the different scales is not simply geographical. It has implications for governance, and these scales are socially constructed. The organization is dynamic and is transformed by conflicts and domination relations among the scales involved and the discourses and ideologies they contain. These questions are important for understanding spatial and institutional recompositions in relation to economic and welfare policies, particularly in the context of urban studies (Martin, McCann, & Purcell, 2003). The concept of glocalization is developing, expressing the fact that the national scale is giving more and more space to the international and local scales (Swyngedouw, 1992). However, if SIBs fall within the framework of this glocalization, the DIBs retain only the globalization part.

**The oversight role of the state**

“Election cycles, budget silos, and complex or rigid government appropriation systems can all hamper governments’ ability to deliver,” according to Gustafsson-Wright et al. (2015, p. 2). Thus, the chosen solution, when looking at the DIBs, is to avoid these political features and not adapt to them. The problem is twofold regarding investors: it is a question of targeting projects that can yield sufficient incentives to invest and deciding which are relatively easily predictable to reduce risk-taking (Drew & Clist, 2015). In the report from the CGD, the problem is well represented by this assertion: “Social services—particularly those aimed at the world’s poorest, most vulnerable people—
do not yield sufficiently high financial returns to attract private investment, despite their obvious benefits to society” (Development Impact Bond Working Group, 2013, p. 22). This is initially why states intervene, because certain goods can only be public because of their consumption characteristics. The same is true for SIBs, because “there are profound moral consequences of treating people in need of support as commodities and numbers to be ticked off to achieve targets and trigger payments” (Roy et al., 2017, p. 9), and the DIBs could also alter the fabric of social cohesion from the outset.

In addition, there is a progressive transfer of authority from the national scale, where political and economic power are coordinated, to the supranational and subnational scales, such as urban scales or rural spaces in our cases in developing countries (Martin et al., 2003). Civil society is more and more involved in these subnational scales in SIBs and DIBs as service providers. Local and urban governments receive growing responsibilities regarding economic development, social services, and provision of infrastructure. The local government becomes a key component of these new modes of local regulation (Painter, 1995). However, in DIBs, local authorities are not a part of these subnational scales.

The absence of the local scale
This organization between the scales emphasizes two difficulties in the developing world. First, although decentralization is spreading in developing countries, the transfer of authority from the national to the local is complex, which often suffers from a shortage of resources and skills (Baade-Joret, 2006). In addition, urban development policies have resulted in a serious discord between rural and urban areas, based on the models used in advanced market economies (Mitchell-Weaver, 1991), especially when the majority of municipalities in developing countries are situated in a rural environment. The national or local public actors have the capacities in developed countries to get involved in schemes like SIBs or to develop other kinds of policies and partnerships. For example, some cities engage in larger scale partnerships through transnational networks (Zeemering, 2012).

Second, these local scales and the networks that cross them are often misunderstood or restricted by the logic of the developers. It is not new that programs of international organizations operate with a top-down approach, affecting local populations without actually integrating them (Alenda-Demoutiez, 2016; Giovalucchi & Olivier de Sardan, 2009). However, conducting a project with a targeted population to gain legitimacy and acceptance requires understanding power dynamics, cultural diversity, the organization of society, various social networks, etc. Thus, ignoring the local government is an important issue to raise, especially when the beneficiaries are also ignored. They are target populations, not partners. The voice of the beneficiaries, vulnerable low-income people, is often completely missing from the literature on social entrepreneurship or venture philanthropy, “where things seem to be done to, for, or around but never with or by them” (Edwards, 2010, p. 72). Thus, citizen participation in the planning of impact bonds is absent from a range of international organizations’ studies (Whitfield, 2015), directly and indirectly, with the absence of their local representatives in the DIB schemes.

International organizations intervene with their own strategies, well-defined objectives, and particular philosophy and vision. The actions carried out in developing countries, in their form and purpose, are numerous. The “race to action” of international donors, who have to spend their resources to meet certain deadlines, does not allow for alignment with the real needs of the countries and intensifies the difficulties in building a bottom-up process among the various actors (Houéto & Valentini, 2014).

Two risks involved with DIBs
The first risk is the problem of the performance management itself, one of the pillars of the DIBs. The literature concerning PBF/RBF mechanisms describes various biases that are due to a short-term vision, such as distortions between target audiences and others, cherry-picking beneficiaries,
focusing on quantity rather than quality, increasing inequity by rewarding providers and facilities that are in a better position to meet targets, and temporary improvements (Ireland, Paul, & Dujardin, 2011). The same concerns are raised for SIBs, which could lead providers “to focus their activity on meeting whichever indicators are measured, at the potential expense of other, perhaps more important, issues, not included among metrics” (Roy et al., 2017, p. 9). Let us take the example of Educate Girls and Rajasthan regarding the DIBs. The goal is to bring girls back to school in a region with entrenched poverty where girls are married off young. As the results after the first year showed, the project faces many difficulties concerning the economic, sociological, and cultural dimensions relative to the girls’ schooling (Chandrasekhar, 2017).

The second concerns the absence of public authorities in the development of their country. For SIBs as DIBs, the evolution of local governance and the financialization of welfare and development have an impact on the local scale. When there is indeed a transfer to local states, there is also a progressive shift toward neoliberal ideals of competition. This shift comes from the “external environment within which government functions and the changing internal structure of the state, as the responsibility for some of its functions [are] rescaled, licensed out to non-elected agencies or simply rationalized” (Martin et al., 2003, p. 116). When, in the specific case of DIBs, there is not this transfer toward local governments, the external environment is dominant. Moreover, “the level of cross-party support for SIBs would suggest that they appear as an ‘ideological free, technical response to a social problem’” (Sinclair et al., 2014, p. 4). This is also reflected in DIBs. Contractualization is done to avoid any conflicting relationship, whereas power relations are rarely balanced. In an institutionalist approach, power relations are important and change development policies according to formal and informal frameworks (public and private actors, values, etc.; Sobel, Postel, & Rousseau, 2006). Moreover, though weaknesses exist at the institutional level in developing countries, the definition of “good governance” is restrictive, obscuring the key factors explaining poverty and aid failure, such as social and economic inequalities within countries, inequalities within the international structure, specificities at the local level, etc.

**Conclusion**

If development is not a commodity, the general context of the evolution of development policies and this turnaround of the DIBs attest to a certain fictitious commodification, because I have shown that both the production and the validation criteria are met. In addition to considering the institutional dynamics and ideologies behind these mechanisms, DIBs fit well with the dominant ideology within international development. By avoiding local and national authorities, DIBs are favoring an international governance. The trends toward a stronger involvement of private actors in welfare and development are similar. Private investors will concentrate on short-term actions and target populations; public action is part of a longer-term vision for the welfare of the citizens. In developing countries, where public action, both national and local, is still being created and/or consolidated, their involvement in such development programs should be a feature of a long-term perspective. One of the important results comes from the consideration of the scales regarding DIBs but also SIBs and, more generally, urban politics. The local government is important in all of them by its participation in urban politics and SIBs and by its absence in DIBs. The international scale keeps growing, contributing to the shaping of new forms of scalar arrangements. In the case of SIBs and urban politics, glocalization is developing, favoring relations between supranational and subnational scales. In the case of DIBs, the supranational scale is dominating. The evolution of welfare as development, through the question of this local scale and with the growing involvement of the private sector, is now of great importance.
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Notes

1. Created by the founder of eBay.
2. A nonprofit university program based in Africa and designed for the developing world.
3. A major financial company based in New York.
4. A specialized merchant bank focusing on emerging markets.
5. The problem is also relevant for SIBs and the third sector: “Nonprofits with a marketized service delivery model that are well networked, strongly resourced, and strategically located in a SIB bidding process, are favorably positioned to support the transition to SIBs” (Joy & Shields, 2013, p. 43).
6. Authors Belt and Minneboo are members of KIT and Kuleshov is a member of the Common Fund for Commodities.

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No potential conflict of interest was reported by the author.

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