

**HOW IS SOCIAL IMPACT BONDS MODEL USED BY PUBLIC SECTORS
IN IMPACT INVESTING IN FINLAND?**

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School of Business and Economics**

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**Author: Jianhong Chen
Discipline: IBE
Supervisor: Mikko Rönkkö**



JYVÄSKYLÄN YLIOPISTO

ABSTRACT

Author Jianhong Chen	
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Abstract <p>This is a paper to look into how Social Impact Bonds model is used by public sectors in impact investing in Finland. Finland has made a number of impact investments to promote the nation's well-being in different themes in the last decade.</p> <p>The paper started with the discussion of the modified definition of impact investing concept in Finland and its development. Combined with the multiple case studies including the Finnish Innovation Fund (Sitra), other public organizations, different municipalities in various impact investing projects using Social Impact Bonds model, I emphasized on the use of Social Impact Bonds model in the impact investing process as a key factor to ensure the realization of the expected outcomes.</p> <p>Based on the Finnish characterized impact investing method of modelling, the research has concluded that Social Impact Bonds (SIBs) model is believed to be effective in carrying out impact investing for positive outcomes in Finland, which not only prioritizes the significance of impact investments but also highlights the importance of Social Impact Bonds model in the process.</p> <p>Furthermore, the Social Impact Bonds model in impact investing has attracted private funds into public projects, which helped ease the public financial budget limitation for impact investing. In the meanwhile, "performance-based contracting" has enabled public sectors to pay only for the outcomes achieved, which is both cost-effective to the public sectors and on the other hand, encouraging the investors to perform their best. Though some of the</p>	
Keywords Measurable impact investing, performance-based contracting, Social Impact Bonds model, paid by results, future-oriented, the next era of well-being, etc.	
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1. INTRODUCTION

As impact investing has grown in a rapid speed and flourished since the beginning of the 21st century, there are researches on its social impact achievements and what measures its profit and fund allocation. This new model of philanthropic intended investing form has called much attention as it is widely not only for countries which are in underdeveloped economic regions but also in developed countries. The concerns for poverty, education, health care, environmental protection etc. have been growing as general human society problems globally. In regions where poverty may not be the major concern, there are other existing problems and future-oriented concerns such as how to maintain economic growth in an environmental and societal-friendly manner, or, how to realize the sustainable growth for long-term benefit and well-being.

Researches are done concerning how investors raise their funds for realizing certain social impact purposes. Besides, what is the benefit of using impact investing has also aroused researchers' interest. Another concern is that how impact investors select their investment targets and the reasons for such decisions. In other words, how the investment targets are differentiated and what are the possible underlying reasons. This research focuses on the public sector's efforts in carrying out the impact investing. Public sectors share the similar characteristics that they are run by government and one of their key tasks is to tackle social problems and improve the public well-being. What's worth mentioning is that as well as traditional public funds investments in making such impact, new forms of funding, for example, Social Impact Bonds model is growing and emergingly taking a part in impact investment. Social Impact Bonds model has attracted private funds into public sectors' impact investments. Social Impact Bonds have brought changes in public sectors' impact investing process and structure.

In this paper, I would like to look into this main research question:

“How is Social Impact Bonds Model Used by Public Sectors in Impact Investing in Finland?”

There are various Social Impact Bonds projects around Finland targeting for certain positive social impacts in the last one and half decade. Social Impact Bonds model are combined with missions to form Social Impact Bonds projects in Finland. Finnish public sectors have named these projects with Finnish words meaning the projects target group or project goal. Examples of such Social Impact Bonds projects are Lapset SIB which means “Children SIB”; TyHy SIB which is shortened from “Työhyvinvointi SIB”, meaning “Occupational well-being SIB”; “Koto SIB” which comes from “Kotouttamisen SIB”, meaning “Integration SIB/Advancing Employment

SIB” etc. (Sitra, 2019). All these Social Impact Bonds projects are collaborations among public sectors and private funding, along with different service providers in various projects. The study is carried out bearing this main research question. Relating to the main researching question, sub-questions are concerning following themes:

Why have Finnish public sectors chosen Social Impact Bonds model to do impact investing?

What projects have been done and what achievements have been made with Social Impact Bonds model in Finland?

What are other considerations towards Social Impact Bonds model from Finnish public sectors’ point of view?

1.1. What is impact investing?

In this paper, definition of impact investing will be firstly discussed. Furthermore, I will look into the brief history of impact investing. Impact investing is seen as a new solution to ease the tension between economic crisis and public budgets, it is not only a focus of governments and international organizations, but also becoming popular among private investors to develop social impact enterprises (Vecchi, Balbo, Brusoni & Caselli, 2017). According to Bugg-Levine & Emerson (2011), impact investing is a form of investment targeting in pursuing financial returns, in the meanwhile, impact investing is making social impacts intentionally and actively. Impact investment is thus considered as an advanced approach to address social and environmental issues by utilizing financial tools.

Impact investing is considered as a solution that aims to improve billions of lives and our planet at a scale (Cohen, 2019). In the last two decades, tackling social and environmental problems has become more urgent than ever. Cohen (2019) has also pointed out that the consequences of the economy development are revealed gradually. The impact investing concept of making social impacts beyond only making profits can solve such consequences in this economic aspect and it has been fast developing in many countries in recent years. In recent decades, impact investing is increasingly seen as such an investing type that is to make social and environmental benefits with the goal of creating financial returns (Clark, Emerson & Thornley, 2014). On the other hand, impact investing is considered as an appropriate solution to ease the social problems in undeveloped economic zones. Impact investing is even considered as a new utility in helping with poverty and regarding this, especially investors of social impact investors, are regarded as designers who make innovative business approach to ease and solve poverty and social problems, which led such new investing sector expected to be breeding (Tan & Griffiths, 2016). This new form of impact investing wave has aroused wide and fierce attention to researchers and economists.

1.2. What is Social Impact Bonds model?

Social Impact Bonds (SIBs) is a form of private funding which invests for certain social impact targets and gets paid by achieving the pre-negotiated outcomes. Social Impact Bonds is regarded as an effective way of funding for social projects when public financial budget is short. What's more, it is considered as an effective way to ensure the social impact goals of the investment because private investors will not get paid in case outcomes are not met when the social projects are finished. In addition, private investors in Social Impact Bonds have more monitoring power over the project processes to make sure the realization of the pre-set outcomes to not only get paid but also to gain profits. Warner (2013) has stated that Social Impact Bonds make profits by social intervention programs if the predefined outcomes are met. Furthermore, Social Impact Bonds are characterized with outcome-contracting, public-private partnership and performance measurement, etc. On the contrary, Social Impact Bonds may have raised concerns of government capability of financing public projects and ability to make sure of healthy society development. Social Impact Bonds is considered a funding method featured with "paid by results". This particular form of investment allows financing from private funding to do social projects to achieve outcomes expected by the government (Fox & Albertson, 2011).

What's different from public financing are that Social Impact Bonds are having more efficiency and innovation because they focus on getting reward on their actual outcomes. In other words, Social impact Bonds do their best to accomplish the social projects in order to get paid by the government for what they have invested earlier and earn their profits. It is also suggested that Social Impact Bonds in social projects may reduce the government risk. On one hand, the lack of public budget is solved by the private funding support so that social impact projects can be carried out in time even when the government is tight in financing. On the other hand, the government does not need to risk all the financial inputs, especially in the project beginning stage when the outcomes are unlikely to be seen. Featured by "paid by results", the Social Impact Bonds have also received much research attention for its "outcome-based commissioning". Edmiston & Nicholls (2018) have suggested that Social Impact Bonds represent a form of private capital in outcome-based commissioning with the public sector, which influences uniquely on service providers, operation process and possible future cost-savings. Only if the outcomes meet the impact targeted, the investment is recognized and paid by the government. Thus, the feature that Social Impact Bonds projects' outcomes are the drivers and incentives in this form of impact investment is outstanding

1.3. Which public sectors are included in this research?

Public sectors in this paper refer to Finnish public organizations, government-led ministries and different municipalities. Particularly organizations with the mission of improving public services and tackling social problems are chosen

to be studied. Public sectors are run by government and they are responsible for carrying out the country's public policies. Focusing on the research task in this paper, I am looking into public investors' impact investing practices in Social Impact Bonds model in Finland. As impact investing can be carried out both domestically and globally, I mainly look into the Finnish public sectors' Social Impact Bonds practices and experiences nationwide.

Serving for this research purpose, a multiple case study concerning impact investing activities in various fields in Finland is carried out. A number of public sectors in Finland are selected for the research task. One of the most important research targets in this paper is the Finnish Innovation Fund which is also known as "Sitra". Sitra has been the pioneer and main organizer of impact investing practices in Finland. By the end of 2019, Sitra has transited all its impact investing missions including on-going projects to the Ministry of Economic Affairs and Employment of Finland. When the tasks and obligations of impact investing in Finland is taken over by the Ministry of Economic Affairs and Employment (also called as MEAE), an organization called Centre for Expertise in Impact Investing has been established to plan and carry out greater range of work in Finnish social well-being projects. The Centre for Expertise in Impact Investing has also continued with previous Sitra's projects and it has become an important coordinator in many Social Impact Bonds projects in Finland nowadays. Being the Finnish main public impact investing organiser, the definition and aim of impact investing is further modified by its own significance of the Finnish Innovation Fund. Moreover, research of the real impact realization will be compared to the impact expectation. The Finnish Innovation Fund (Sitra) was the leading public organization run by the Finnish Parliament, it was of high relevance and a perfect match for this research when choosing study cases for the research question. Besides, Finland is where I resident, enabling me to have access to interviews for first-hand evidence. Moreover, the Finnish Innovation Fund is working on collaborations and networking with other EU partners and going internationally, however, most of its past activities, were conducted domestically in Finland, which also corresponded perfectly to this paper's research task. The case study inquiries are main data sources of this study. The Finnish Innovation Fund Sitra is owned and run by the Finnish Parliament, it is a non-profit governmental organization leading impact investing in Finland. Impact investing was one of Sitra's obligation before the end of 2019.

Besides Sitra, there are other public sectors chosen for this research. All of them are either government-led ministries or municipalities. Interview availability of these following public sectors are another important reason of the selection. What's more, all these public sectors have the common feature in participating in Social Impact Bonds projects for different impact expectations in the recent decade.

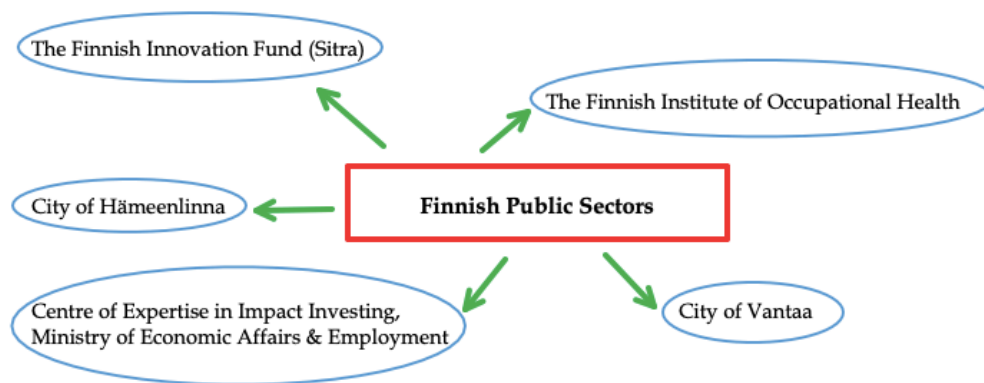


Figure 1. List of Finnish public sectors in this research

Six interviews were made to serve for the research purposes in this paper. In order to look into how Social Impact Bonds model is used by Finnish public sectors in impact investing projects, certain Social Impact Bonds projects are selected from the chosen public sectors. The chosen Finnish Social Impact bonds projects (shortened as SIB projects) are as follows: TyHy SIB; KoTo SIB; Lapset SIB in Vantaa; Lapset SIB in Hämeenlinna and Työ SIB. These SIB projects are discussed and critically analysed in this paper's six interviews. What comes last in this paper are questions raised against the future of impact investing practices. What we conclude from the Finnish impact investing cases will comprise the major part of the empirical research. The study in this paper also discusses the impact investing's significance in tackling social problems. Besides, the possible negative concerns of impact investing as well as the limitations of this study will be discussed.

2. LITERATURE REVIEW

2.1. Impact investing

2.1.1. Brief history of impact investing

Coined by the Rockefeller Foundation in the year 2007, impact investing is a term that describes investments which create social and environmental impact beyond financial profit (Ramanan, 2018). To broadly categorized impact investing, Ramanan (2018) also emphasizes that impact investments can be typed as follows:

- 1) Based on the primary motive for making a profit, to realize the utmost impact to the society and environment; or, as another option, for a greater degree of seeking for funding to extend financial returns, the aim is to strengthen impact in any ways.
- 2) on the other hand, impact investments are structured so as to be ready to cope with different programs in two forms: one is called program-related investments. In program-related investment, investors count to endowment payout requirements for foundations. On contrary to this, the other form is called mission-related investments, which utilizes tools of social investing especially in newly-used form of impact investing.

Reviewing at the history of judgement criteria towards impact investing, other earlier social metrics can be traced to TSI (the Total Social Impact rating), which is based on the stakeholder issues for which applies more to SRI (Socially Responsible Investment) industries rather than impact investing specifically (Dillenburg, Greene, & Erekson, 2003). As the intention of impact investing is strongly emphasized in its “actively” intending to “do good”, i.e. placing capital in enterprises that generate social or environmental goods, services, or ancillary benefits such as creating good jobs, with expected financial returns.

Generally speaking, impact investing is integrated with efforts for a better future, following the world’s needs and human being’s well-being at large. Impact investments have attracted commercial investors by providing them with stable and predictable returns in addition to supplying the market with millions of jobs and other tangible outcomes which is often overlooked by traditional asset managers (Clark, 2014). After making a wide range of studies on a tri-level analysis, Höchstädter & Scheck (2015) have concluded their findings as below: “on a general level, heterogeneity – especially definitional and strategic – is less pronounced than expected”, and more importantly, “our research also reveals critical issues that need to be clarified to advance the field and increase its credibility”. This study has revealed that clarity of the actual impact made within the emerging impact investing would complete and compensate impact investing’s’ definition and increase impact investing’s’ public recognition at large.

Based on that the impact achievement in impact investing is focused on social and environmental improvement at large, the micro-level influence towards individuals, households and communities is as a matter of fact where the results of impact investing matters most and most basically (Jackson, 2012). In regard to this, Jackson (2012) has suggested a “theory of change” evaluation approach with comprehensive application to all levels of the field, especially the micro-level field applying a range of both qualitative and quantitative theories blended as a combination of methods. This actually differs impact investors from other unintended money managers. It is the question that whether the quantity or quality of the enterprise’s social outcomes beyond what would otherwise have occurred that decides the impact of an investment or non-monetary activity (Brest & Born, 2013). Another concern is how leaders/impact investors accelerate the industry’s evolution and increase its ultimate impact as well as the catalyzation of each industry (Freireich & Fulton, 2009). Retrieved from the year that impact investing was coined, it is one and a half decades that it has aroused much attention. However, research also shows there are changes of expectations in impact investing.

2.1.2. Expectation of impact investing

When making investment both for financial returns and social impact, it is reasonable that the mission expectation affects investment decisions and company strategies correspondingly so that a rigorous process of investing is expected (Allman, 2015). “An Impact Investing Scorecard is suggested to better develop investing process by diagnosing impact investing project and initiatives; by implementing evidence-based practice strategies corresponding to impact goals; moreover, by integrating recent advances into practice aligned with the best guidelines so as to successfully define, design, create and implement a complete impact investing process” (Blokdyk, 2018). Anyhow, what can be the key factors in the success of impact investing process remains a topic in many researches. Human well-being and sustainability are after all the key issues in long term and for the future. From the perspective of the institutional investors, the rapid consumer-led pattern in investing has influenced on corporate regulations as well (Sparkes, 2003). As impact investing is “above a stricter standard” of helping a business or organization complete tasks to benefit society if compared to “Socially Responsible Investments” seeking only to choosing investments based on ethical guidelines (Investopedia, 2019), we will take a look at how the process of impact investing is carried out with the social impact expectations.

Though the pioneering impact investors are people such as philanthropists, charitable foundations, and institutional investors, it is found that many investors have emerged and raised concerns as they start to see the practicalities of impact investing. Among these new investors, their focuses have been on “financial-first investment”; “using established dual-diligence processes”; opportunity to align mission & values; the “value” of networks and collaborations (Ormiston, Charlton, Donald & Seymour, 2015). Whether such investment activities have achieved to the expected degree of social &

environmental impact is one of the criteria to prove the actual efficiency of impact investing. In such a fast-developing world, the ambitious Sustainable Development Goals (SDGs) are needed to be mobilized with unprecedented resources, for example, the private companies are providing working opportunities besides social services for sustainable development whereas other forms of investments such as those made in developing countries, even the least developed countries are taken as business opportunities despite the risks (Collectif, 2016). The Development Co-operation Report 2016 (Collectif, 2016) is significant in guiding the responsible business conduct in the meanwhile of exploring the challenges of investing in developing countries, especially through social impact investing.

Finland is a developed country, some world common-concerned problems such as poverty and lack of water may not be the concern of the Finnish national well-being projects. However, Finland is a leading pioneer in impact investing to effortlessly improve the national well-being as its core target, with emerging social concerns and proactive observations for them. Being ranked and regarded as the happiest country again in 2019 in the world ("World Economic Forum, 2019"), Finland is never stopping at improving the "well-being" of the country. Run by the Finnish Parliament, the Finnish Innovation Fund has served for this purpose ever since it was founded 1967 and its core mission is future-oriented to "develop the successful Finland of tomorrow" (Pyykkö, 2019). Rodin & Brandenburg (2014) have pointed out that the significance of impact investing is not only within social entrepreneurs, but it also includes other investors such as foundations, retail investors etc., which play an important role in the deepening of investors' knowledge from the perspectives of other investors. From the research regarding impact investors' activities, plans and general perceptions of the market trends and topics, the impact investing is seen as a potential strong-growing industry (Global Impact Investing Network, 2016). In fast-developing countries for example countries and regions in Asia and the Pacific, social entrepreneurs are seeking to better understand and foster such an environment for sustainable development through impact investing based on their social entrepreneurial activities' connections with impact investors (Asian Development Bank, 2011). Speaking from the wide range of impact investors, Fanconi & Scheurle (2017) have the viewpoint that impact investing, as an attracting asset class based on the mechanisms and strategies of making a difference if one is ready to help, can change the world even with microloans. As the usage of the model exists in the public-private partnerships, of crowdfunding platforms, and of social impact measurement models are seen as the main platforms of impact investing (La Torre & Calderini, 2018).

With the aim of making investment for the expectation of certain social impact, impact investing is expected to be fulfil certain social missions and the public concern lies with its social influence, to be exact, if it is effective in solving certain social problem. How to leverage the power of market to solve social problems can be a measurement of how well impact investing is

functioning in the process of moving ideas to reality, in addition to its entrepreneurial linkage between non-profit and for-profit (Lane, 2014). Edmiston & Nicholls (2017) have suggested in their findings that private funds' entry in social services, particularly in their study, may bring unexpected and distinctive effects to the whole society, if combined with "outcome-commissioning" feature. Since the complex interplay between agents, instruments and regulations are less noticed as there are neither rationales of the various participants in the impact investing fields, nor a uniform criterion for its scrutinized instruments, especially the construct of risk and returns from both financial and social impact perspective, to include impact investing into the traditional investor portfolios, compatibility becomes definitely the pre-requisite. Nevertheless, early evidence has shown that the mixed portfolio might profit because the low correlation of impact investments to traditional markets reduces portfolio risk and promote sustainability (Brandstetter & Lehner, 2015).

2.2. Impact Investing being distinguished from Socially Responsible Investing

2.2.1. Impact Investing vs. Socially Responsible investing

Socially Responsible Investing is shortened as SRI. It is an investment approach, which is considered positive in making responsible changes to the world at large. Budde (2008) has seen Socially Responsible Investing's perspectives on its prioritization in financial returns while implementing "basic strategies" of aligning values with investments. Companies which make Socially Responsible Investments tend to avoid being noticed with negative social effects such as making pollution or treating labor force unfairly etc.

Socially Responsible Investing is also known as value-based or ethical investing which aims to integrate social and environmental factors within investment analysis to avoid in companies/industries that have negative impacts. It is obvious that the "avoiding" is a form of passive attempt to "not doing bad" whereas impact investing goes further specifically by actively and initiatively "doing good", i.e. making investments in companies/industries whose core mission is to generate social and environmental impact beyond financial outcome (Net Impact, 2019). Thus, Socially Responsible Investing shall make no negative social impacts while making financial return in the first place. While impact investing used to be considered a subset of Socially Responsible Investing (SRI), it is necessary to figure out the key differences between the two. There are distinct differences in the nature of the two. Unlike SRI, impact investing is considered a cornerstone that requires investors and clients to align values and human needs which also indicates impact investing as a new wave of both de-risking assets and fostering innovations (Wendt, 2019). The aim between these two investing forms is significantly different. Impact investing, compared to Socially Responsible Investing, aims to primarily achieve certain positive social and environmental impacts while financial returns is also expected.

However, Socially Responsible Investing has been in such argument that if its fiduciary duty to be "socially/environmentally responsible" sufficient to make a change for the world. What's more, according to the research done by Domini (2001), SRI can reach financial returns while making positive contributions to society when both following the screening methods and making ethical considerations. Nevertheless, Socially Responsible Investing has been considered successful in leading the world's trend to keep social responsibility in the concern of companies and organizations.

	main purpose	other aims	reasons doing so	conclusion
Socially Responsible Investment(SRI)	Profit-making	"Do no harm"	Minimize reputational risks	Making profits in ethical way
Impact Investing(II)	Impact-making, "Do good"	Profit-making	Maximize social & environmental impact	Making impacts along with profits

Figure 2. Ben Piven (July 3,2019). "Socially Responsible" & Impact Investing, What's the difference?

Retrieved from <https://www.aljazeera.com/economy/2019/7/3/socially-responsible-impact-investing-whats-the-difference>

As we can see from Figure 3 below, financial-first investments are standing firmly as "traditional businesses". Companies aiming at making all profit usually utilize all the resources to maximize their financial returns, in which social and environmental impact is never on top of their aim lists.

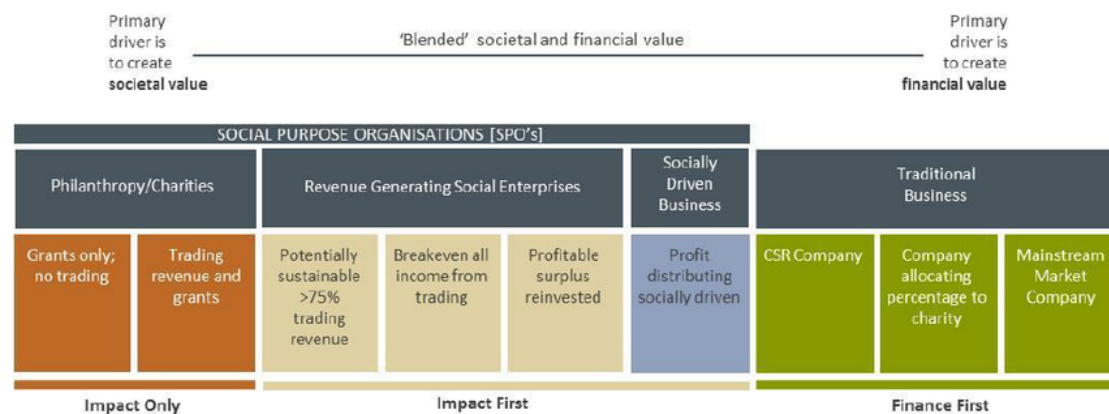


Figure 3. The Investment Spectrum. Adapted from "European Venture Philanthropy Association: An Introduction (European Venture Philanthropy Association)". October,2011. p.5. EVPA.

2.2.2. Evaluation of the Social Impact Bonds in Impact investing

Despite the complexity in measuring impact when a Social Impact Bonds project is finished, process evaluation is used to trace the investment in most of the case studies in this paper. The evaluation of depth has acquired multifaceted materials, e.g. interviews with stakeholders, development workshops in organizations, an electronic diary filled by the service providers, a survey of organizations staff, sickness absence registers (Pehkonen et al., 2019). More suggestions for indicators and metrics in assessing the impact of social business include methods such as observing if there are new financial supply chains, or if there are new relevant players entering as well as its original stakeholders (Irene, Marika, Giovanni & Mario, 2016). Based on the research into more than 700 inclusive businesses in Africa and India Koh, Karamchandani & Katz (2019) have brought forward the idea that philanthropy is often overlooked catalyst which unlocks potential of

inclusive business including impact investing. As a matter of fact, the growing number of social entrepreneurs building impact organizations is another proof of the optimism of impact entrepreneurs. Beyond making money, the compartmentalization of earning a living should be settled with a “better-world” purpose, which requires a paradigm shift in capital market from two-dimension to three with the dimension of impact to help build a better society (Social Impact Investment Taskforce, 2014). Nevertheless, how impact investing should be evaluated remains the core concern of the effectiveness of impact investments.

Hehenberger, Harling and Scholten (2013) have suggested the following model (see Figure 4) for benchmarking the impact of impact investing where it is based primarily on the stake holders’ views considering the value their investments create.

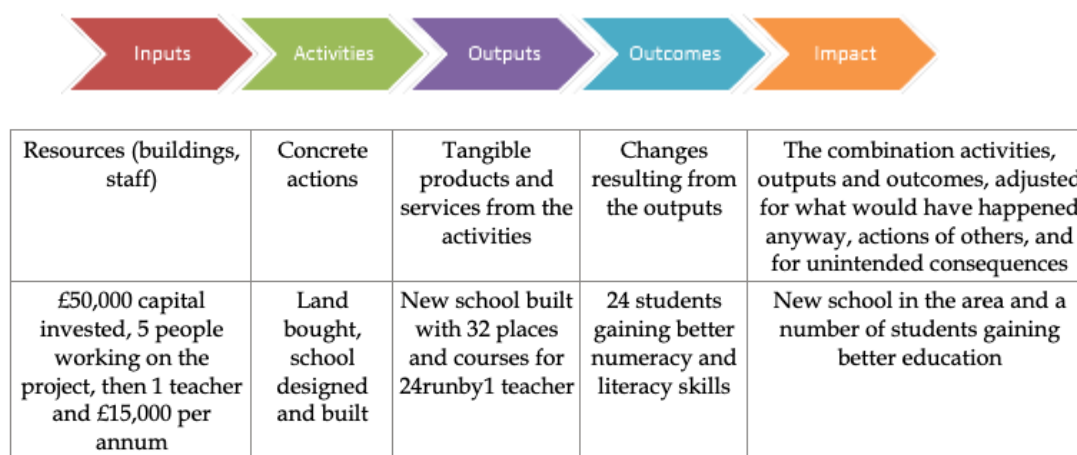


Figure 4. Impact Value chain with illustrative example. Adapted from “A practical guide to measuring and managing impact.” by Hehenberger, L., Harling, A, H.& Scholten, P., 2013, European Venture Philanthropy Association.

The “inputs” and “outputs” in Figure 3 have stated the stakeholders’ angle of assessing “outcome” of their impact investment prior to other indicators from the value priorities, which makes the model chain less satisfactory if considering perceptions of impact from various social groups. What’s more, “outputs” being calculated for “outcomes” is mistaken as there is not a proven linear parallel where they grow by each other. In this case, taking the “outcomes” for granted due to the “inputs” and “outputs” are not a proper assumption.

On the other hand, Puttick and Ludlow (2012) have put forward a “Five Level” concept for evidence in measuring if the impact an impact investment has made reaches its stated expectation (see Figure 5 below).

Expectation of available evidence

Level 1	Can give an account of impact – logical reason for how it can improve outcomes
Level 2	Gathering data that shows some change among users
Level 3	Data shows greater impact than others
Level 4	Independent valuation validates the observed impact
Level 5	Can show that impact can be replicated through such means as fidelity evaluation

Figure 5. NESTA's five levels of evidence for impact investing. Adapted from "Standards of evidence for impact investing." By Puttick, R., & Ludlow, J., 2012, London: Nesta.

As we can see from the table, the measurements of impact are disconnected from different contexts. While some metrics emphasizes the stakeholders' activity flow and results, other metrics are looking into gathering of data and fidelity evaluation. As impact investing is interpreted as "doing good" intendedly and actively, it is crucial to realize that the assessment of II is influenced by many factors, which include the investment typology and measurement culture; the assessing tools and techniques; as well as the stage of assessing (Reeder & Colantonio, 2013). While it is hard to translate stakeholders' activities into the non-financial influence to assess the real impact of II, it is important to understand the stakeholders' standpoint and role they play in the whole process. As we see, social impact bonds run by a large number of methods and the great variety of the methods make it difficult to be accessed. Cooper, Graham & Himick (2016) have examined a series of SIBs in a case study of the London Homeless SIB, particularly on St. Mungo's. Their findings from the case study are indicating that the SIB accomplishes the task of turning everybody rather than the homeless into entrepreneurs and the homeless themselves, on the contrary, are nobody but the securities for the SIB investors future investments excuses.

2.2.3. Stakeholders in impact investing

Out of the performance measurement literature, "Multiple-constituency theory" views organizations as networks of stakeholders as stakeholders compete to influence the standards of their activities' being effective or not, that is to say, the multiple constituencies' performance outcomes determine an organization's effectiveness (Speckbacher, Bischof & Pfeiffer, 2003). Although practitioners put forward different metrics in measuring the social impact of an impact investment, the impacts are difficult to evaluate as the purposes and outcomes should be taken into consideration of each stakeholder group. It also includes the private funding integration in public

sectors' impact investing practices. This can lead to far greater programs and returns than traditional investment programs (Lussier, 2013).

The conclusion has made a universal and united form of measurement "golden standard approach" unrealistic and irrational whereas metric of "multi-constituencies approach" that takes social impact as a form of social constructionism created by different stakeholders seems more appropriate in the perception and judgement concerning real stakeholder need as the first step to create a broader conceptualization of social impact measurement (Costa & Pesci, 2016). In addition, public policy often plays a role in enabling impact investing as underwriter, regulator, provider of assistance so that to help implement the expected social and environmental benefits by asset owners (Wood, Thornley, & Grace, 2013). After looking into the decision-making process of impact investment, we find it is a key role that impact investors are playing in facilitating sustainability and scalability of solutions to tackle social and environmental problems (Johnson & Lee, 2013). The Social Impact Bonds portfolio in Finnish impact investing is designed with the principle that to tackle contemporary Finnish social problems and also take preventive measures for future social problems (Pyykkö, 2020).

Nevertheless, the web of stakeholders in impact investing is complex and consists of numerous groups and each interaction between any group makes a difference, but through a multi-stakeholder approach, the interrelations can become more distinct. Alijani & Karyotis (2019) have stated that the main stakeholders are banks, institutional investors, portfolio managers, public organizations, for-profit and nonprofit organizations, social enterprises etc. and they oppose objectives and antagonistic assets in sourcing and channeling financial resources so that it is of great significance to examine the financial ecosystem within which impact investing operates and collaborates. What's more, to examine how market proponents react as evaluators recognize, define and negotiate the value complexity in impact investing when economic exchange happen is also a means of pursuing social and environmental value alongside with the financial returns (Barman, 2015).

Brest (2015) has pointed out that the main three parties of stakeholders are "government or commissioner, service provider and investor." Mr. Paul Brest has also pointed out in his talk from Stanford Graduate School of Business that impact investing is requiring more work because e.g. in due diligence process, both for financial and for philanthropic possibilities of positive outcomes and the tough thing is to find the good opportunities. (Brest, 2015)

Weber, Staub-Bisang and Alfen (2016) have emphasized that impact investing, unlike terms such as "socially responsible investing", "sustainable investing", reflects the fact that investors' willingness of accepting the higher risk or the lower return so as to make a positive impact on society. What's more, to examine individual infrastructure assets step by step and to

understand the factors that are underlying the risk and return profiles are suggested in order to catch up with the continuous-changing infrastructure markets in both developed and developing new markets (Weber et al. 2016).

2.2.4. Social impact bonds practice

Originated from the United Kingdom, Social Impact Bonds (SIBs) was seen as a so creative way of investing model that it spread afterwards all over the world. In the meanwhile, it was believed as a new provision solution particularly in social services (McHugh, Sinclair, Roy, Huckfield & Donaldson, 2013). Warner (2013) defined social impact bonds as a model in which private investing is attracted to social services with “a market rate of return if predefined outcome targets are met”. However, SIBs also raise concerns despite its “public good making” definition. Concerns against SIBs include their contracting structure, their abundant public value guarantees, their governance, their measurements and so forth (McHugh et, al. 2013; Warner, 2013).

Existing as one of the main forms of investment in impact investing, it is of great significance to understand the social impact bonds model content. Using a case study at London Homeless SIB in 2016, the recent Social Impact Bonds model was examined as “represent a potentially powerful and problematic use of accounting to enact government policy” and it is considered “an attempt to marketize/financialize certain contemporary, intractable social problems” (Cooper, Graham & Himick, 2016). Although SIB model is taken as a useful tool in tackling social problems, more nuanced questions have been raised on their paradoxes. Maier, Barbetta & Godina (2018) have pointed out two key paradoxes in SIB model which centers on how to “hold true for the very same SIB:

- (1) flexible but evidence-based services;
- (2) cost-saving risk transfer to private investors.”

Joy & Shields (2013) have concluded social impact bonds model like this: “Social Impact Bonds can be both empowering and disempowering, freeing and controlling” depending on their way of implementation. In this paper, “way of implementation” refers directly to the project process monitoring in Finnish Social Impact Bonds projects. For instance, Heinrich (2002) pointed out that when the data management from the administration does not reflect the actual forthcoming results in a social program utilizing any form of outcome targeted investing such as Social Impact Bonds, result of the programs can be misled. However, the practicalities of carrying out impact investing may not be as smooth as thought, especially in some fields where philanthropism or other social entrepreneurs do not help much. Ormiston, Charlton, Donald & Seymour (2015) have done such a research which indicates four emerging concerns for impact investors despite the initial

enthusiasm of doing it. Ormiston et al. (2015) conclude their findings into four aspects as follows: “a focus on financial-first investments; the importance of using established due-diligence processes; the opportunity to align mission and values; and, the value of networks and collaboration.” In this paper, I will analyze these aspects in the survey on the Finnish Innovation Fund (Sitra) to see if the challenges are solved in Social Impact Bond model.

2.2.5. Two sides of a coin

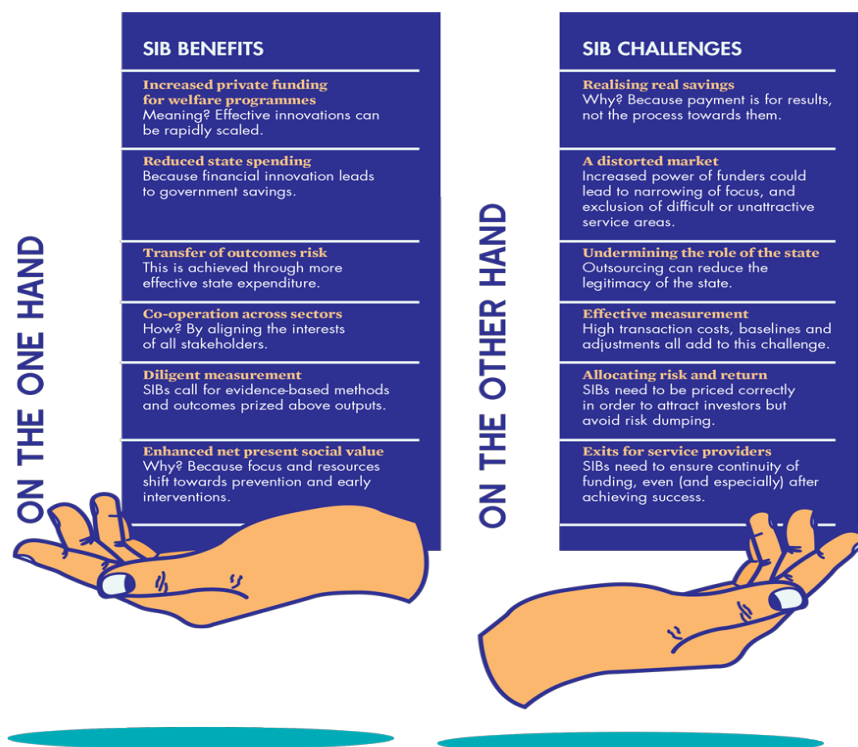


Figure 6. On the One Hand, On the Other Hand. Adapted from “Social Impact Bonds: What works, what doesn’t”. By Aunnie Patton. 2013. Inside | Out. The Bertha Centre for Social Innovation & Entrepreneurship hosted at the Graduate School of Business. University of Cape Town, South Africa.

Although Social Impact Bonds are a hot theme in impact investing, like everything else, every coin has two sides. SIBs also obtain own features as strengths and weaknesses. The chart above listed up SIBs’ strengths as “on the one hand” whereas their shortcomings as “on the other hand.” The chart by Aunnie Patton (2013) has vividly concluded 12 points for pros and cons of SIBs.

As SIBs are still an emerging nuance, Aunnie Patton (2013) applied the word “challenges” rather than “shortcomings” as the future of SIBs can be both unpredictable and promising. I agree greatly on this as “challenges” can be recognized and dealt with so as to achieve success, however, “shortcomings” are seen as characteristics in the nature of something which hardly can we conquer. Learning more about SIBs, its community outcomes, including its influence among individuals or the relationships among investors and investees are becoming common concern (Jackson, 2013).

To ensure the positive outcomes of impact investing, performance-based contracting is seen as rational in improving contract applicability and efficiency to enable great efforts for the realization of the contract goals as the ultimate task (Heinrich & Choi, 2007). The evidence of using social contracting as a way of acquiring resources is found as early as the 1980s when Kramer & Grossman (1987) raised a series of questions about how to cope with various challenges from the contracting process. As people are used to the social services secured by governments and authorities, social contracting, on the contrary, broadened the concept to non-governmental organizations. As new service providers emerge, new inter-organizational connections emerge in the meanwhile. Starr & Macmillan (1990) put forward the idea that social contracting is emerging as an entrepreneurial strategy in cooptation of resources, especially for start-ups at the time. With all the activities done, what impact investors are seeking can also be called “blended value” as either for-profit organizations or non-profit organizations are simultaneously creating not only social but also environmental and financial value in the form of mixed-two or all-three (Bugg-Levine & Emerson, 2011).

2.3. Summary of literature review

From the studies of relevant literatures, it is found that the origin of the concept impact investing was formed as early as 2007. The definition emphasized the impact-making especially in social and environmental values, which exceeds and overwhelms the traditional forms of investment where financial outcomes are expected as the priority. With the emergence of the impact investment concept, more questions are raised for example, how to differ it from other forms of investment, how the outcomes can be evaluated, how the investors are characterized etc. Besides, the expectation of impact investing is one of the most discussed themes. The ultimate and utmost goal of realizing the social impact intentionally is the key factor of distinguishing it from other investment forms. Micro-level influence is also discussed as mere general social impact-making may not reveal any real-life changes that can be made to small social units.

Impact investing practices in the developing countries are also discussed. It is noticeable that the concept of impact investing is expanding globally at a rapid speed. The main feature of the impact investing of prioritizing social impact rather than profits is widely discussed. It is also seen as the catalyzation tool of the overall social well-being process enhancement. Thus, a growth of expectation is seen on impact investing processes so that many companies and business practitioners are influenced while decisions are made. Nevertheless, higher-level tasks are set to reach social sustainability and human well-being. Being regarded as a form of investment with higher virtuousness and righteousness, impact investing is seen as a prospect additional aid in benefiting the society. What’s worth mentioning is the diversification of impact investors. The earlier groups of investors are mostly among philanthropists, or charitable foundations, which are also regarded as

starters of social entrepreneurs. There are significant changes as reinforcements of impact investor groups, including commercial banks, investment units, private funds, etc. Generally speaking, as impact investing aims for social and environmental impact, management processes that simplifies portfolio management combining have approached to diversification. Along with the development of impact investing, public policies are modified so as to support investment activities. More private funds are encouraged and allowed into the impact investment practices and more flexibility is given if the business activity is impact-oriented at large. The management process involves all stakeholders in impact investing process. Like in this paper, our main concern is the public sectors' impact investing activity using Social Impact Bonds model (SIBs). Since impact investing is more to the core of solving social and environmental problems and making certain impact, to understand and assess the real impact realization is crucial in examining the legitimacy of such an investment. We are also going to discuss how Finnish public sector have presented the world a more delicate definition and example in the field of impact investing.

3. DATA & RESEARCH METHOD

3.1. Data Collection

Focusing on the research question of various cases in impact investing using the Social Impact Bonds model in Finland, several projects aimed for impact were selected for this paper's multiple case study.

To establish the diversified sources of evidence, this study has investigated into multiple channels of information. Data collection is incorporated with data analysis in this paper to acquire a chain of evidence for proving if public investors are in favor of using Social Impact Bonds model to realize the impact in social investment practices. Collection of multiple sourced data come firstly from the investigation into the existing research of the impact investing programs in Finland. This has paved the basis of modified definition and development of propositions, which includes collecting the earlier and current literature reviews, finding the real-life examples, etc. Together with the empirical study, data in this paper is assured of its validity and reliability.

To serve the research aims, data collection of this paper includes:

1) structured literature review

To find out the definition of impact investing and furthermore to adjust the definition according to the empirical study of this paper, literature review was done to observe impact investing's definition and its development in Finland.

2) backward & forward reference searching and keywords

Keywords such as "performance-based contracting" or "mission-driven" are searched for to serve the research question. The most-appearing works are also used in forward searching to check the follow-up relevant studies and backward searching is used to find some original definitions of some terms.

3) electronic database search (Web of Science)

Web of Science is used to search for particularly the term "SIBs" in this paper. Cited cases using "SIBs" in this paper were originally tracked from Web of Science and exported to Excel file for general checking. For the research purpose, the downloaded statistics are arrayed to the degree of relevance of the content, among which I am able to observe other examples of public impact investors' practices and the corresponding outcomes. These results can be used further for comparison with the Finnish Innovation Fund (Sitra) and other public commissioner's executions upon efficacy and efficiency.

One is to investigate into the Social Impact Bonds projects in Children SIB project in two municipalities - Hämeenlinna and City of Vantaa. Children SIB in Finland has aimed for promoting the children and teenage well-being and preventing proactively possible family problems. Although Hämeenlinna Lapset SIB has different target groups with Vantaa SIB projects, their goals have shared great similarities in improving children/youth well-being and promote family wellness. The other Social Impact Bonds project is the TyHy SIB project led by the National Institute of Occupational Health of Finland. TyHy SIB project was focused on the well-being at work. TyHy project was the very first impact investing project which targets on improvements of the employee's well-being and it turned out to be a success project by utilizing the social impact bonds model. Last but not least, six interviews are made to research into the significance of the social impact bonds model. Six interviews were made with various public organization representatives in impact investment process. What's worth mentioning is that one interview was made with a representative from the private investors' side in impact investment in Finland. Mr. Jani Kempas was representing FIM asset management (formerly as Epiqus) in his interview and he has also provided valuable information on the fund size of different impact investment projects the company has invested into. Altogether six interviews are made with different representatives from Finnish public sectors, among whom five are from Finnish public sectors and one from private funding sector.

Concerning Sitra as the impact investing leader in Finland, more general questions about impact investing and social impact bonds model are discussed in the first two interviews with Mr. Mika Pyykkö from Sitra and the Centre of Expertise for Impact Investing for the Ministry of Economic Affairs and Employment of Finland. In the following interviews, Lapset SIB projects were mainly discussed with Mr. Jari Pekuri from the City of Hämeenlinna and Ms. Tarja Keltto from the City of Vantaa. Mr. Jari Pekuri discussed his opinion over the Lapset (Children) SIB project carried out in the City of Hämeenlinna. Ms. Tarja Keltto has expressed her viewpoint over the Vantaa Lapset SIB project and she compared Vantaa Lapset SIB project with the Hämeenlinna one. Tyhy SIB project (Työhyvinvointi SIB) was the centre topic in the interview with Mr. Jarno Turunen from the National Institute of Occupational Health. Jarno made comments on the effectiveness of the Social Impact Bonds model in TyHy project and raised some possible improvements concerning future impact investing projects. Lastly, Mr. Jani Kempas has discussed with me all the SIB projects in Finland into which FIM has invested so far, including TyHy SIB, Lapset SIB, Koto SIB, Työ SIB and T2D SIB.

Interview questions include:

- What are Sitra's tasks and achievements?

- What are the biggest challenges of the impact investing in Finland?
- What are the features of Social Impact Bonds model?
- How the cooperation process is monitored in long-term SIB projects?
- What do we learn from existing SIB projects?
- How the funding is organized?
- What do you see as future of using SIB model in impact investments?

Details of question are listed in the Appendix 1 in this paper. What's worth mentioning is that interview questions are based on rather than limited to the list. For instance, prospects of the impact investing future and discussion of the status quo of impact investing in Finland were also part of the interview discussions.

Interview details are listed in the table below:

	title of interviewees	date of interview	duration of interview	methods of interview	theme of interview
1.Mika Pyykkö	Director of impact investment, Finnish Innovation Fund (Sitra)	Nov 26th, 2019	49min 58sec	Phone call	General introduction of impact investing in Finland & SIB projects
2.Mika Pyykkö	Director, Centre of Expertise for Impact Investing, Ministry of Economic Affairs and Employment of Finland	April 20th, 2020	78min 26sec	Video call	Current and future impact investing projects using SIB model
3.Jari Pekuri	Strategiapäällikkö, City of Hämeenlinna	May 6th, 2021	38min 58sec	Phone call	Lapset SIB project in Hämeenlinna
4.Jarno Turunen	Erityisasiantuntija, the Finnish Institute of Occupational Health	May 18th, 2021	54min 42sec	Video call	Tyhy SIB project and SIB model in other fields
5.Tarja Keltto	Projektipäällikkö/Lapset SIB Vantaa	May 20th, 2021	52min 33sec	Phone call	Lapset SIB in Vantaa and SIB significance in impact investing
6.Jani Kempas	Johtaja, Vaikuttavuussijoittaminen, FIM	May 20th, 2021	28min 51sec	Phone call	FIM as an investing organizer and manager in SIB impact investing in Finland

Table 7. list of interviews in this paper

The interviews are listed according to time sequence and all interviews have followed the health and safety regulations during Covid-19 pandemic period. Interviews are recorded with the permission of all the interviewees and they comply with data protection regulations. The interviews were semi-structured. Interview guiding questions are proposed beforehand to the interviewees to serve for the research questions in this paper. Other relevant topics are also discussed during the interviews. Interviewees have also made free comments on SIB impact investing activities in which they participated in. Six interviews in this paper have supplied this paper with much first-hand

information for the data research. Interviewees have experienced the social impact bonds model and witnessed the project process. It is of great importance that all the interviews were successfully conducted. Besides, interviewees have discussed with me in a critical way about the social impact bonds projects that have been carried out in Finland.

In this paper, the cases selected have shared common characteristics as follows:

First of all, they consisted of similar shareholders, including both public and private shareholders. Secondly, they aimed for well-being of residents but in different target groups, such as the unemployed, the children, the teenagers, the elderly, the immigrants, etc. Thirdly, cases selected are corporations among the Finnish Innovation Fund (Sitra) and other municipalities or organizations. However, another noticeable feature among these cases is that the structure of the investment involves private funds. The trend indicated by the case studies has demonstrated a healthy and strong growing force of impact investing in Finland. The case studies have revealed the importance of Social Impact Bonds Model (SIBs) to ensure the outcomes of the projects and maximize the fund use and synergy of all participants. Examining the case organization's publications and activity records of figures, a data base is established with the categorization of respectively usage of SIBs in recent one and a half decade. This also ensures the reliability of data collected. In addition, all the interviews' talk was recorded after getting permissions from all interviewees from different organizations. The usage of the interview content is with validity and secure only for this paper. Such a protocol with the case organization makes sure of the sources' reliability and factuality.

3.2. Data Analysis

Data analysis in this study consists of the examination to the multiple case studies of impact investing projects which were carried out in Social Impact Bonds model in Finland in recent 2 decades. In this paper, Lapset SIB (as Children SIB in English) projects from City of Hämeenlinna and City of Vantaa are studied. Furthermore, TyHy SIB project led by the National Institute of Occupational Health is studied. Impact investing organization the Finnish innovation Fund (Sitra) and the Centre of Expertise for Impact Investing in the Ministry of Economic Affairs and Employment of Finland are researched into as the main public impact investors. Nevertheless, other Social Impact Bonds projects such as Koto SIB and T2D Prevention SIB are also discussed in this paper. The principle of selection of the research targets correspond to the theme of this study of public sectors, including municipalities, public organizations, institutes etc.

Data analysis is made on two main questions as follows:

- 1) What to analyze:
Social Impact Bonds model ensuring public commissioner's impact investing aim is what this study analyzes. In other words, analysis is made in order to check how effectively and applicably Social Impact Bonds model is functioning in public sectors' practicalities. As Social Impact Bonds model is considered as reliable and effective in this paper's case studies, the efficiency and applicability of this SIB model is the key to understand its significance and influence.
- 2) Why to analyze:
The reason why we analyze the Social Impact Bonds model is that, upon the modified definition of impact investing by the Finnish Innovation Fund (Sitra), we are investigating into the real differences in using Social Impact Bonds models rather than other traditional investment models. I look into the process of execution from Finnish public sectors' angel to see how social and environmental problems are addressed differently and more effectively.

The Finnish Innovation Fund (Sitra) has proposed the proposition of utilizing Social Impact Bonds model as their current main investment method in impact investing. This paper's data analysis relies on The Finnish Innovation Fund (Sitra)'s existing projects with various municipalities and organizations.

Furthermore, the study carries out pattern-analyzing from the case organization's activities so as to check whether they have matched the organization's theoretical propositions.

The analysis of this paper of the case organization also investigates into the frequency of its events using Social Impact Bonds model. I consider it as another analytic technique to prove the model' applicability. By combining all the explanation and investigation of the evidence, a conclusion of findings can be generated to respond to the research question: Is Social Impact Bonds

model a solution to ensure the expected outcomes of public sectors in impact investing?

3.3. Research methods

Multiple case study is the main research method in this paper. By analyzing the Finnish Innovation Fund (Sitra) and other public sectors' activities using Social Impact Bonds model, it incorporates the data collection and data analysis in order to abstract a comprehensive understanding of the research question. For the purpose of investigating into the public investors' activities in impact investing, the Finnish Innovation Fund (Sitra) run by the Finnish Parliament and regulated by the Finnish Law is chosen to be one of prioritized research targets in this study. Other public administrations in this multiple case study include also the Centre of Expertise for Impact Investing (Ministry of Economic Affairs and Employment), City of Vantaa, City of Hämeenlinna, the National Institute of Occupational Health and FIM asset management company. This research is complemented by publication research and six individual interviews:

The analysis is done threefold as follows:

Firstly, look into the efficiency of impact investing and to see further that how to interpret the tension between the impact-making and the investment financing, especially for public sectors;

Secondly, how we can reasonably examine and foresee the efficiency of impact investing at present, is there possibly a uniform criterion; The core research question in this part is that whether Social Impact Bonds model is a great solution in measuring and making sure Impact Investing's efficacy and efficiency as in this paper's multiple case studies;

Lastly, discuss what demonstrates a balance in impact investing between profit and social & environmental benefit and what indicates the impact investment projects' success via social impact bonds model. Furthermore, the limitations in this paper and suggestions for future research will be discussed.

4. RESEARCH FINDINGS

4.1. Significance of Impact Investing

In Finland, the Finnish Innovation Fund (Sitra), has developed the concept of impact investing with the keyword “measurable impact”, which makes it unique by highlighting the outcome of impact investing in Finland in the first place. In the following research, further investigations are made to uncover the specialty and the influence of Sitra’s and other municipalities’ impact investing activities. These case studies represent the trend of public sectors’ efficiency in developing impact investing for well-being in all kinds of fields, besides their wide range of collaborations and co-operations in various missions. All corporations are to co-create impact, via social impact bonds model. Standing for the Finnish public sectors, the Finnish Innovation fund believes in the booming of impact investing will help lead to future era of well-being of the society.

The case study in this paper have emphasized the importance of private funds while using Social Impact Bonds model in impact investing activities in Finland. The SIB model is believed and proven effective way to ensure success in some of these case studies, though some other long-projects are still in their processes. Besides, domestic investors with a great variety such as start-ups, private capitals, non-profit organizations and communities are also working with Finnish public sectors to enhance the well-being and ease particular national concerns such as senior-care, children care, care for the unemployed and eco-friendly development issues in Finland. There are also more Social Impact Bonds projects under planning in Finland such as Type 2 Diabetes Prevention project (T2D SIB). The determination of continuing carrying out different impact investing projects has also demonstrated Finland’s firm faith in the significance of impact investing. Though this paper discusses Finland’s domestic impact investing, what’s worth mentioning is that the Finnish Innovation Fund (Sitra) has started to co-work with EIB (European Investment Bank), UNDP (United Nations Development Programme), WCEF (World Circular Economy Forum) in some European and international programs. The significance of public sectors’ impact investing practices in Finland is studied in this paper and the case study’s results can be concluded as follows:

SIB Projects	Public commissioners	Service providers	Investors	Aim for impact	Metrics	Concerns	Achievements
Lapset SIB Hämeenlinna	City of Hämeenlinna, Central Union for Child Welfare, Sitra	Icehearts-toiminta, etc.	FIM, (Epiqus) Lähitapiola, Sitra, LSKL	12-year long term children wellbeing; ease future family problem tension	Trace of costs so far	Lack of expertise at work, lack of workers, possible politics changes	Savings from costs
Lapset SIB Vantaa	City of Vantaa, Central Union for Child Welfare, Stra	Family social work units, etc.	Sitra, FIM(Epiqus), LSKL, etc.	Children's wellbeing, Preventive and psychosocial support for family problems	Saved costs accumulated for the project long term	Cost- saving cannot be seen until 2024	Family services enhancement
Lapset SIB Kemiönsaari	City of Kemiönsaari, Sitra	N/A	N/A	Children welfare	N/A	Project not held due to lack of participants	N/A
Tyhy SIB	Local Register Office of Southwest Finland, Aleksia Municipal Enterprise from Nurmijärvi, Savon Consortium for Education, Ylä-Savon Sote Joint Municipal Authority	Aino Health Management Oy, Headsted Oy, Tietotaito Group Oy, etc.	Sitra, We Foundation, Henri Kulvik, FIM(Epiqus), etc.	Occupational well-being, Ensure workers' mental and physical health at work	Decline in the employee sick leave record.	The very first occupational well-being SIB in the world, Much to learn, Investors profits were low	Goals partially achieved by metric
Koto SIB	The Ministry of Economic Affairs and Employment	TE- office, Integration training units, etc.	FIM(Epiqus) etc.	Connecting and helping immigrants find job opportunities, professional training for better work competence	Rate of the employment	More work is required, can be long-term training	More immigrants found work places

Figure 8. summary from all six interviews in this paper

4.2. Finnish Practice of Impact Investing

In this paper, we are looking into the leading impact investing form, i.e. social impact bonds model (SIB). What's more, the organizations in this paper case studies - the Finnish Innovation Fund (Sitra) and the National Institute of Occupational Health, and the municipalities of Hämeenlinna and Vantaa have all experimented and experienced the phases of development & execution of social impact bonds model (SIB) in its impact investing projects as the main method, which we will discuss it in following chapters.

The Finnish Innovation Fund (Sitra) is handling impact investments in general due to its social responsibility defined by the Finnish Parliament. The core value proposition of the Finnish Innovation Fund (Sitra) is a better well-being for the country, both for-now and for-future. The missions of Sitra include not only fixing present and possible social problems, but also taking preventive measures for future social wellness. The Finnish Innovation Fund (Sitra) provides a "Social Impact Bonds Modelling" process to its impact investing collaborating partners. This modelling process is considered as an important step of tailoring the project and assuring the process so as to make sure the success of impact investments. Sitra aims to help achieve impact outcomes by the "Social Impact Bonds modelling" with its co-operating investors and service providers. The Finnish Innovation Fund (Sitra) has broadened the concept of "measurable" impact investment. Furthermore, Sitra's another great contribution lies in its "Social Impact Boot Camp" modelling program, which coached and guided more public sectors utilizing the efficiency of the social impact bonds mode. Pyykkö (2019), working as the program director in impact investing for the Finnish Innovation Fund (Sitra) has advocated the impact investing definition with the word "measurable". Mr. Pyykkö has said in the first phone interview that "measurable impact" is always what we should bear in mind when we define impact investing,

because an unmeasurable investment is not possible to be tracked or evaluated for real, which means outcomes, or impact of the investment can hardly be proven or made sure. This may result in waste of resources and funds. At the same time, using “Social Impact Bonds” model in impact investments in Finland is meant to save costs in the way based on impact outcomes of all the projects.

To ensure the funding from organizations and individuals, the Finnish Innovation Fund (Sitra) also receives endowment capital from all sides. In 2019, The Finnish Innovation Fund (Sitra) has announced its main goals in 17 aspects as shown in the following chart:



Figure 9. The Finnish Innovation Fund (Sitra)’s Sustainable Development Goals in 2019. By Mika Pyykkö, Director of Impact Investing, 2019, The Finnish Innovation Fund (Sitra).

4.3. Measurement of SIB model in Impact Investing

In this study, evaluations of the social impact bonds model towards the impact investing projects vary to the duration and aim of the projects. The accountability of SIBs is more and more discussed in nascent research work due to the attention SIBs has got from social sectors.

In the case study of the TyHy SIB project in Finland, metrics used to measure the impact investment are discussed in the interview to Mr. Jarno Turunen from the Finnish Institute of Occupational Health. Jarno mentioned the evaluation model used for the TyHy project was “the process evaluation”. More exactly, a developmental evaluation approach was used. The term TyHy SIB is shortened for “Työhyvintä-SIB”, which aims at promoting the well-being at work. The duration of the project is three years. The TyHy project ended in May 2020. One of the metrics was set to follow the statistics to see if there is a decline in sick leave rate among the employees in four organizations. Therefore, the analysis of qualitative data was produced as a descriptive sign of the sick leave rate change varied by organizations.

Due to the large number of participants (up to 1600 employees) in TyHy project, a more thorough evaluation was done when the project was finished. The result of the evaluation has proved that the social impact bonds model worked efficiently in the TyHy project. To this paper’s case studies, same thoughts are reflected in the Lapset (Children) SIB project in the City of Hämeenlinna. The Lapset (Children) SIB is carried out mainly by investments from 8 main investors such as FIM corporation, LähiTapiola, etc. And the most service provider is “Icehearts® toimintaa”. The project is scheduled for 12 years term, which is practically unlikely to foresee the outcomes in all the phrases of “inputs” or “outputs”. The City of Hämeenlinna has “traced the project process in each year to keep a record of the costs or costs changes” (Pekuri,2021). However, Mr. Pekuri commented: “the great thing of utilizing this social impact bonds model that we appreciate is the government is only paying for the outcomes so actually a lot of money is saved”.

Above-mentioned methods reflect an evolving process of metrics to impact investing as an emerging investing form in recent decades. However, the evaluations are done after the investing activities are made and they are checking mostly the outputs of the investments. Thus, they may serve as a conclusion of the overall investments rather than an instructing and facilitating guidance all through the beginning to the end of investment process. What we are discussing in this paper is whether Finnish public sectors' social impact bonds model is a practical solution to make sure of the expected outcomes of impact investing projects. A large variety of impact investment activities in Finland are applying social impact bonds model. Although some of the metrics are for the time being and can vary upon time, the long-term positive outcomes of these projects are expected.

Generally seen from the above-mentioned assessment of impact investing in recent research, there is a lack of coordination of measurement for impact investment. Considering from the perspectives of different impact investor practitioners such as social organizations (both profit-making and non-profit ones), business units, traditional investors, including evaluators, an effective and united measurement helps clarify the practice of impact investment and assist executing process in the expected manner to reach the estimated outcome.

What I am putting forward in this paper corresponds to this idea, i.e. if social impact bonds model is proven to be a suitable match for the measurement purpose as well as an implementation tool, it can be taken as an execution model for carrying out and tracking impact investing from the very beginning stage of impact investment in order to standardize process and making sure of the positive outcomes.

4.4. Finnish stakeholders in impact investing

As we have studies earlier, the impact investing activities have gained many interests to improve well-being, eco-friendly, social problem proof, sustainability in Finland. Impact investing projects in Finland have involved different levels and forms of organizations as stakeholders, from parliament-run organizations such as the Finnish Innovation Fund (Sitra) to private banking and investing companies such as (FIM Asset Management LTD.), with the mutual efforts of other various forms of organizations such as "Icehearts® Toiminta" or the Lastensuojelun Keskusliitto (LSKL). However, after all, all these forms of participants can be summarized and categorized into what we mentioned earlier in a theory: three parties of stakeholders: "government or commissioner, service provider and investor." (Brest, 2015)

Recent research has estimated that impact investing is getting to be a more and more mature practice. As in the Finnish domestic case studies, dozens of projects are accomplished with social impact bonds model. In the meanwhile, the co-operations and collaborations in such projects have united different

collaborators' common efforts through various ways offering positive impact and solutions for work opportunities and welfare benefits. When observing what are the investment vehicles in impact investing, we can see several different groups of investor types are active in impact investing that we call here as asset classes of impact investing. From such analysis, we can also see the asset allocation such as the portions of cash investment, financial bonds, or intangible assets and so forth. In Finnish public sectors' impact investing various projects, the significant rise of private funding proportions is tremendous. Take FIM Asset Management LTD (shortened as "FIM" afterwards) as an example, in the latest press release of FIM on 31.03.2021, it emphasized that in its investment activities, the significance of sustainability is taken into account, such as impact investing is in one of its responsible investing strategies (FIM, 2021). As an asset management company and private bank founded as early as 1987, FIM belongs to S-Bank's wealth management business. According to this paper's third interviewee Mr. Jari Pekuri, FIM is a major investor and strong supporter in the Lapset (Children) SIB project in the City of Hämeenlinna and so far, there's no fund insufficiency from FIM. Mutual belief and corporation in future children well-being is extremely outstanding in Hämeenlinna's Lapset(Children) SIB project among all parties.

In Finland, as "the next era of well-being" has been the core concern of the Finnish Innovation Fund (Sitra), there are schedules made for different social impact realization for various target groups or aims. In the year 2019, Sitra has concluded all its planned impact investments projects to that time in the following chart as the organization's portfolio.

SIB portfolio in 2019 – altogether 7 (+ 2) different fund processes in Finland

SIB (commissioner)	STATUS
Occupational Wellbeing (public sector organizations as an employer)	Up and running since 2015 (FIM, previous Epiqus, as a Project/Fund Manager); the fund about EUR 0,6 million; external evaluation published 9/19
Fast employment and integration of immigrants (The Ministry of Economic Affairs and Employment)	Up and running officially since January 2017 (FIM); the fund EUR 14,2 million (The second biggest in Europe)
Promotion of Children's, families' and youth's wellbeing (5 municipalities) + edition 2	Up and running officially since January 2019 (FIM in co-operation with Central Union for Child Welfare); the fund EUR 8 million (estimation)
Advancing employment (The Ministry of Economic Affairs and Employment)	To start (FIM); the fund EUR 12 million (estimation)
Support of the elderly's independence (municipalities?)	Modeling has started including Impact co-creation process in two regions
Type 2 diabetes prevention (municipalities?)	Modeling is going on
<i>Environmental Impact Bond</i> - Nutrient recycling and/or housing emissions (municipalities and/or Ministries)	Modeling is going on



Figure 10. SIB portfolio in 2019. By Mika Pyykkö, Project Director, Impact Investing, The Finnish Innovation Fund (Sitra). Adapted from The Finnish

Innovation Fund (Sitra) and Impact Investing, especially Social Impact Bonds model in Finland. "Do Good, Do Business" August 28, 2019.

As the early organizer of impact investing projects in Finland, the Finnish Innovation Fund (Sitra) has been co-operating with other parties in the social impact bonds model practices. Sitra's co-operation and collaboration model corresponds to this portfolio-effect working system and is firmly tested in its social impact bonds projects practices. Despite the complex interplay, the Finnish Innovation Fund (Sitra) has managed to stick to its "social impact bonds modelling" program, pulling all the stakeholder together including investors and service providers for the same goal. Sitra has introduced and advocated various projects concerning different future impact making. Working further as an intermediate, Sitra has been connecting programs to cities, organizations and also assisted in attracting investors. In this paper's first interview, Mr. Mika Pyykkö has emphasized that "SIB modelling" is the key to pave the way for the procurement of impact investing programs and "hard data" is the key term in "social impact bonds modelling". "The Impact Boot Camp" hold by the Finnish Innovation Fund (Sitra) is considered widely as an accelerator for uniting different stakeholders' interest and framing the working systems. The synergy is thus created by the efforts of the Finnish Innovation Fund (Sitra) and other stakeholders by utilizing the "social impact bonds modelling".

4.5. Impact-first investment

Going after profit had been the core theme for businesses for many decades before people realized the importance of social and environment profit beyond the bare economic impact. One of the main trepidations of impact investing is whether the II activities are in the track of "impact above profit" principle. How to ensure the II is impact-first rather than financial-first is the first principle to measure impact investing.

In this research, the Finnish Innovation Fund (Sitra) has also answered directly to this question. All Sitra's agenda and projects should be agreed by the Parliament before they are procured and processed. Even defined by the law, The Finnish Innovation Fund should take careful steps to realize positive outcomes, rather than risk at any unsure tasks. The City of Hämeenlinna's strategy manager Mr. Jari Pekuri has pointed out also in his interview that despite all possible economic and political changes in the near future, the costs-following monitoring system has eased the concern of government paying too much for unknown long-term results. On the contrary, it is much economical to pay for the realized outcomes afterwards. As Lapset (Children) SIB is not a "finance-first" project, it is very encouraging that social impact bonds model has made it possible to attract investor for a 12-year term well-being project. As shown from other cases in this study, Finland is among

countries which are making great efforts and achieving common sense of developing the future well-being in many aspects.

From the sequence of this checking list, it can be concluded that witnessing and negotiating with the company leaders pave the way for the impact anticipation with the support of financial and legal investigations. Among these three factors, unlike the cases in mergers and acquisitions, experiential and impact due diligence are emphasized. Analytical due diligence which emphasizes commercial and financial investigation, either by the law or done voluntarily, conveys quite sufficient message on the operation of the business targeted. This is also the key difference from impact investing from other business activities. The Finnish Innovation Fund (Sitra)'s use of "hard data" and thorough investigation of the upcoming projects and the following "modelling" for the procurement design also fit for the call.

4.5.1. Finnish contracting for performance

Social contracting also came with arguments, which include justice, trust, accountability and responsibility issues against it. To decide what type of resources should be organized in order to conduct corresponding activities, pre-measuring the outcomes is an emerging trend in impact investing field, including the public sectors. About one decade ago, there are thoughts on the catalyzation of impact investing activities but mostly on for-profit investments made for outcomes. In previous pages, Figure 6 in this paper has listed the most widely concerned social and environmental problems which need to be improved or solved if talking about impact investing aims in Finland. The list was based on Sitra's investigation towards common and possible social problems. Some are preventive programs like Lapset (Children) SIB, while some are solving programs like the Advancing Employment SIB (Koto SIB). This task list represents the core mission of impact investing in Finland, which has also tackled the tough task of impact investing that to find good opportunities (Brest, 2015). Also, if we trace from the bottom of the chart to set a goal for the ultimate impact target, it would be easier to see what should be done to a specific direction, i.e. which activities impact investors should start with.

Among this paper's studies, all impact investing projects included have applied the performance-based contracting form between public sectors and investors. All the missions are to realize the social or environmental value for future well-being as an ultimate goal for Finland. The Finnish Innovation Fund (Sitra), as a state-run non-profit innovation organization, has coached other public sectors to apply social impact bonds model to ensure its determination for the ultimate goal of outcome realization. In my analysis, the Finnish Innovation Fund (Sitra) is focusing on the big picture of future

goodness, including sustainable economy, carbon-neutral circular economy, society renewables etc. Since the Finnish Innovation Fund (Sitra) is a non-profit organization, it is considered in this paper a “blended-value” realizer specialized in impact investing practicalities. What Sitra has already achieved throughout its impact investing history is collaborative and innovative. It sets a brilliant example in Nordic countries for its achievements. Many municipalities and organizations are introduced to impact investing projects through Sitra’s efforts and so far, some projects such as Koto-SIB (Advancing Employment SIB) had achieved amazing outcomes. With the networking spirit, the Finnish Innovation Fund (Sitra) combines thoughts and resources from other European countries into its activities and goals. The Finnish Innovation Fund (Sitra) has observed and followed megatrends around the world such as aging population, global warming, ecosystem and so forth. The vision of the organization varies depending on the contemporary world concern in the big picture. For example, Sitra has set its latest themes on the following five domains (“THEMES”, 2020):

- 1) “ A carbon-neutral circular economy”, which includes solutions for climate change and sustainability of human life and world economy.
- 2) “Capacity for renewal”, which includes democracy promotion, health data etc.
- 3) “New working life and a sustainable economy”, which concentrates impact investments and the concept of learning for life long.
- 4) “Foresight and Insight”, which focuses on contemporary megatrends and knowledge in pointing out the decisive knowledge and weak signs etc.
- 5) “Training”, which highlights the the Finnish Innovation Fund (Sitra) lab and training for leadership in future sustainability.

The concept of “outcomes-based” has triggered a new thought about how to ensure a Social Impact Bond is doing its “making-good” mission or whether it is doing it at all. It is obvious to see that the conclusion is such a sarcasm that the SIB in their case study is turned out to be the investors’ game of integrated way of financing “tricks” including budgeting, discounting, auditing and so on. The benefit or the “impact-to-be-accomplished” is far left behind all the scenes.

Concluding from above, it is necessary and worth emphasizing that when private funds are utilized to attempt to tackle social problems in Social Impact Bonds, outcomes should be expected and able to be evaluated. Measurable impact investing should also be executed in a proper way. SIBs have not only raised the idea of attracting private funds into social career, but also triggered a good and new era for impact investing. Nevertheless, under such a circumstance, is this a good solution for realizing real impact as expected? How can we be assured of this performance-based funding model for real social and environmental impact? Social Impact Bond model in Finnish has been applied to many projects in various field. A study of Finnish SIB projects

can be an affirmative support to testify its advantages in realizing impact investing performance.

4.5.2. Monitoring in the impact investing process

Since Social Impact Bonds model is about leveraging private investment to social services, a key solution in its success can be --- whether there is an improved version of social impact bond with better monitoring for confirmative outcomes. In this paper's investigations to the public sectors' impact investment activities in Finland, the focus is on the question whether Social Impact Bonds (SIBs) model is a better solution when being conducted for social and environmental projects in a national scale. How well Social Impact Bonds model impact projects perform to tackle various Finnish social needs is what this study concerns about. The investigation is made regarding the process evaluation of Social Impact Bonds projects in most of the cases studies including Lapset SIB, TyHy SIB etc. Different forms of non-profit public organizations are tracing the impact investing projects in Social Impact Bonds model by recording its execution process and promoting the process efficiency.

Take TyHy SIB (Työhyvinvointi) in Finland as an example. The project was organized by the Finnish National Institute of Occupational Health as the main public sector. FIM Asset Management Company (formerly as Epiqus) as the investor and "performance-based contractor". Service providers include Aino Health Management Company, Headsted Oy, Tietotaito Group and so on. The original aim of this SIB project was to promote both mental and physical health of over 1600 employees from 4 target organizations of different sizes. The overall investment from FIM Asset Management Company was about 0.6 million euro. The project started from 2016 and duration was 3 years. Due to late entry of some organization, the project was postponed one year or so. However, the project was successfully completed by May, 2020. Although the original goal of the TyHy SIB project was mental and physical health promotion, after active discussion of all parties involved, the goal was modified when the process evaluation suggested so. "It is very difficult to trace such broad promotion in both mental and physical health. Besides, it is unlikely to see any figures indicating the health promotion. Luckily all sides are very corporative and willing to discuss anything they found out from the ongoing process. So, after some time TyHy SIB was launched, the project goal was modified to the reduction of 2.1 days in employees' sick leave." Mr. Jarno Turunen said so in the interview and he spoke highly of the process monitoring concerning its intervention in realizing positive outcomes. Process monitoring is in this paper regarded as a key step in the impact investing performance management. Furthermore, according to this paper's case studies, open discussion and active involvement from public sectors, investors and service providers are common features in Finnish Social Impact Bonds projects.

Modifications to the impact investing project outcomes are considered innovative and productive. Based on the performance & outcomes-contracting, efficient process ensures smooth development in the project process. As Social Impact Bonds (SIBs) are expected to produce revenue with an addition to service-delivery, true community well-being needs should be applied with also “innovative moves”. Thus, performance management has been highlighted as one of the key concerns of outcomes-based programs, such as in Finnish Social Impact Bonds projects for social impact outcomes.

4.5.3. Social Impact Boot Camp Modelling by Sitra

Social Impact Bonds: How they Work + Who is at the Table

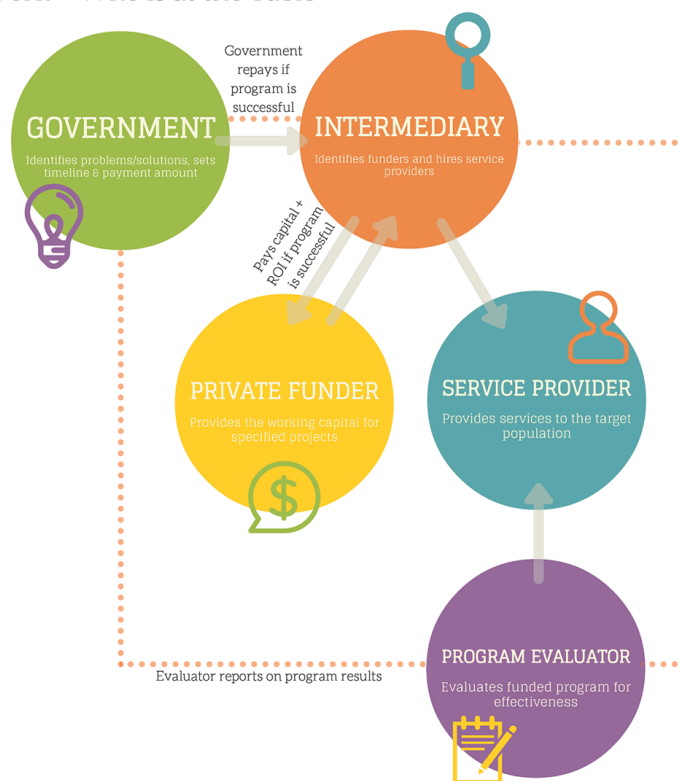


Figure 11. Social Impact Bond Implications. Adapted from “Social Impact Bonds”. By NCSL- National Conference of State Legislatures. 2016. Retrieved from <https://www.ncsl.org/research/labor-and-employment/social-impact-bonds.aspx>

Not all social plans can be granted with Social Impact Bonds funding according to Figure 11. The decisive factors are of a great number, ranging from the programs’ targeted outcome planning to the calculated cost of operation, etc. However, SIBs are leading the trend of attracting other finances as a complementary to public problem-solving and outcomes-achieving. Such a funding mode emphasizes the realization of social outcomes of the program being carried out in an expected manner as we can see from Figure 8 that if the outcomes are not matched after all, the private investors will not get repaid or get return on their investments. Nevertheless, although the private sector may be the only investor in the whole Social Impact Bonds process, there are many other stake holders such as local government, evaluating agencies, end-service providers, consulting firms, etc., which corresponds to the universal stake holder analysis in impact investment processes in the beginning of this paper.

Social impact bonds model, so far in all the investigated Finnish public sectors’ impact investing programs, is proven to be the key step before an impact investment is processed and carried out. At large, it refers to a three-

step analysis before the investment (Figure 12). The first step focuses on tracking back to the roots of social problems to precisely locate the possible measures. The second step is centering about the calculation of what and to what extent outcomes are expected for solving the targeted social problem roots. What comes thirdly is the actual moves of resource allocation and operational outputs determined in the second step for the expected outcomes (Pyykkö, 2019).

Modeling includes three joint layers

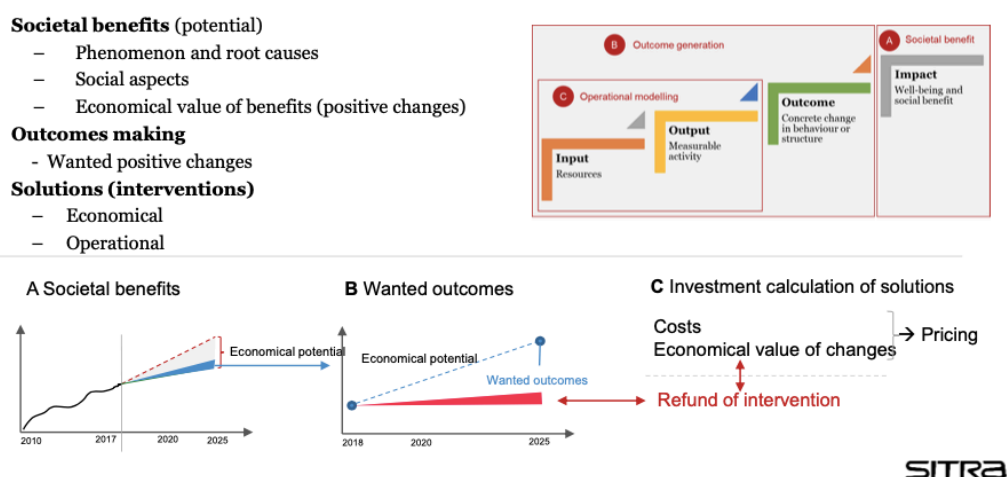


Figure 12. Modeling includes three joint layers. By Mika Pyykkö, Project Director, Impact Investing, The Finnish Innovation Fund (Sitra). Adapted from The Finnish Innovation Fund (Sitra) and Impact Investing, especially Social Impact Bonds model in Finland. “Do Good, Do Business” August 28, 2019.

Being coached by the Finnish Innovation Fund (Sitra), other public sectors are enabled to utilize Social Impact Bonds model as a key model in various impact projects. This is also to ensure the positive outcomes of the impact investment programs and the “three layers” explains how systematically the estimation and calculation are determined before the real investing action so as to fully monitor the program to reach the core aim for the positive impact change. The “Impact Boot Camp” program held by the Finnish Innovation Fund (Sitra) is designed for this specific purpose. The boot camp is in three steps where each step corresponds to each of the “three layers” of the “modeling”. However, it is not only to serve the “modeling”, but also to inspire and accelerate the impact investing in development. In other words, it is a “helping hand” for developing impact investing in Finland. Exactly speaking, the purpose of “Social Impact Boot Camp” is to generate the impact-driven business ideas and plans with its workshops and mentoring services. More impact actors are added to every next step of the Camp so that stronger support is offered for more mature impact-making ideas and businesses. It is believed to be a firm motivation for the impact making ideas and also a reliable analysis support for generation of realistic solutions. The

Finnish Innovation Fund (Sitra) has applied this camp for its investing practices for most impact investing activities. In that respect, I would name the “Social Impact Boot Camp” a “modelling with Finnish characteristics” in this paper.

5. CONCLUSIONS

In this paper's studies, research question is answered to an adequate extent. Due to the special feature of case study projects' long duration, conclusions are made only with the results of the present information collected at the research period. On one hand, restricted by access to official records and documents due to the materials' confidentiality and organizational rules, detailed procurement record of certain impact investing projects in this paper cannot be accessed fully. This is considered a shortage of research in this paper. In this study, part of the materials for research are offered by the interviewees from the corporations where they work. However, I have received active support and a lot of information in all six interviews. Interview atmosphere was greatly active, and information was first-hand and accurate. From interviews, I have found that Finnish Social Impact Bonds projects were having some key features in common. Such features include the form of investment of Social Impact Bonds, the long project duration, the concern and emphasis on children and family well-being and so forth.

On the other hand, the evaluation of the Social Impact Bonds model in impact investing programs is mostly based on the inner judge rather than an "outside angle". The reason to this is that all interviewees work in public sector organizations, rather than the Social Impact Bonds projects target group members. Different observational angles may reveal different judgements, which may additionally enrich this paper's content and offer better full-view of the whole Social Impact Bonds projects for impact investing in Finland. Another concern is that the research lacks an outsider's view. Despite all the data collected and interviews made, five out of six interviews were done with a worker of a public sector. From an objective point of view, an employee tends to speak highly of own work strengths than revealing possible weaknesses. It could have brought more "cold facts" if there are more interviews done with project outsiders.

What's more, the impact investing models are country-characterized than internationalized, which makes the conclusion of wider scope and applicability difficult and challenging. For instance, Finnish public sectors hold the principle of "impact can be modelled", which somehow ignores the possible variables from other stakeholders' concerns. There again, according to all the interviewees from different public organizations, impact investing is believed to be a booming point in the next decade in Finland despite some minor concerns on political and economic change. However, process measurement and evaluation are used in these long-term projects. All interviewees in Social Impact Bond model impact investment projects in Finland have spoken highly of the active interaction among all partners. Efficient co-operation among all parties is a helping hand for the expected social impact outcomes. Signing "performance-based contract" in Social Impact Bonds model is also an incentive to private fund investors to cooperate for measurable investing process and ultimate impact outcomes.

Besides the ongoing Social Impact Bonds projects, the Centre for Expertise in Impact Investing from the Ministry of Economic Affairs and Employment is communicating with impact investing stakeholders about the planning of T2D SIB project. T2D SIB project aims to help people with Type 2 Diabetes disease and also taking preventive measures. More Social Impact Bonds projects are on the schedule list of Finnish public sectors. One of the goals in common among Finnish impact investments is to take actions and preventive measures to promote the future well-being and enhance the society's health and happiness. We are looking forward to seeing the booming of Social Impact Bonds model in Finland, as a matter of fact, we are hoping to see all the future well-being plans and wishes come true. The past a year and a half, the whole world has suffered Covid-19 pandemic, including Finland. Despite all the difficulties and hardships, Finland has so far made great social and economic arrangements for the pandemic. Future research of Social Impact Bonds model can also be related to this unforgettable historic period, which may lead to further study of how to keep going with impact investing using SIB model in extreme hardships.

6. DISCUSSIONS

To core of the research in this paper, the key points are about the question that how Social Impact Bonds model is used by Finnish public sectors in impact investing. We have clarified that Social Impact Bonds are performance-based and outcomes prized.

6.1. Importance of SIB in Finnish impact investing

On one hand, Social Impact Bonds model projects are broadly used by Finnish public sectors in the impact investment to ensure the expected impact investing outcomes. On the other hand, through the process evaluation, Social Impact Bonds model projects are believed to be cost-saving and efficient for public sectors. However, the challenges in this model are more complicated than just “Effective measurements” or “Allocating risk and return” (Patton, 2013). There are more dynamic variables in impact investing practices in Finland. Challenges seen from the case studies from this paper have included improvements such as better planning, precise metric-setting, etc.

When Social Impact Bonds model is applied in social impact investments, our finding through the case studies has held a confirmative recognition of its effectiveness. Guided and led by the former Finnish Innovation Fund Sitra (Centre for Expertise in Impact Investing, Ministry of Economic Affairs and Employment since end of 2019), public sectors in Finland have been working in collaboration with service providers and investor to realize all kinds of impact-making missions. Sitra was run by the Finnish Parliament and it has made noticeable and remarkable contributions to Finland and other EU regions by its continuous discovery and efforts during its over half a century journey since its establishment. It is found that Social Impact Bonds model is an emphasized term used mostly in domestic domain. Other terms which have been much widely accepted in the research are terms like “Performance-based contracting”, “social impact contracting”, “contracting for social services”, “social services contracting”, “social service contracting relationship” and “state social services contracting” etc. As impact investing is defined in this paper as nuance in social entrepreneurship field in recent decades. Since the emergence of impact investing, its unique core mission of value has gained much attention and attraction to investors. It is a rapidly-developing branch in social entrepreneurship with the novel target of “doing good” both financially and more importantly socially & environmentally. Traditionally a great variety of investors is working actively within social entrepreneurship field, among which there are e.g. venture capitalists, angel investors, seed funds, for-profit organizations, non-profit organizations and individuals etc.

However, this paper focuses on Finnish public sectors' impact investing practices, especially using the Social Impact Bonds model. The Finnish Innovation Fund (Sitra)'s impact investing director Mr. Mika Pyykkö summarized that the growing investment trends from the 2010s in Finland has agreed that the younger generations, especially the millennials are strongly aware of balance between economic returns and social influence. Furthermore, for this reason, "doing less/no harm" in some Socially Responsible Investing (SRI) is not any more sufficient for the generations' call. Impact Investing, having the "doing good initiatives" as the core value in its mission, has thus taken up the key concern and met up perfectly with the contemporary social calls. The booming of impact investing in Finland is reasonable and meaningful for the human society. So is true with the Finnish example as we see from the Finnish impact investing projects such as Lapset (Children) SIB, Koto SIB, TyHy SIB etc.

6.2. Cooperation among different organizations

The Finnish Innovation Fund (Sitra) was founded in the year of 1967 when Finland declared independence for the 50th year. It is run by the Finnish Parliament. Throughout its impact investing journey, the Finnish Innovation Fund (Sitra) has emphasized collaboration and co-operation with other organizations and sectors from various industries. The joint efforts are considered as a key to success in Sitra. Under such circumstances, The Finnish Innovation Fund (Sitra) has a wide range of public sectors in its corporation list. Originally supported by the Finnish Parliament, Sitra is highly expected and fully responsible to secure its investment, at least in a profitable manner, which is by the Finnish law (Pyykkö, 2019). The endowment from the Finnish Parliament has also been the primary "investments" from inside the country. At this point, it makes no wonder that Social Impact Bonds model are so widely used in Finnish impact investing activities so as to make sure of the outcomes to the largest extent. Furthermore, with the modelling process and tailored coaching, the Finnish Innovation Fund (Sitra) has led many more Finnish public sectors carrying out impact investing practices in future-oriented missions. However, some characteristics are concluded as below:

- 1) Large scale of co-operation with investors, including both public and private.
- 2) Coaching the Social Impact Bonds model for impact investing projects.
- 3) Tracing the procurement of impact investing, especially to ensure the long-term impact investing projects' success.

6.3. Emerging involvement of private funding

From what I have researched from the FIM Asset Management Company, Finnish private investors are holding a positive attitude to impact investment

in Finland. Mr. Jani Kempas from FIM said: “We are very willing to devote to impact investing projects in the future like we have invested in other Social Impact Bonds projects. Take TyHy SIB as an example, we have not earned any profit from the project, but we are happy to see the outcomes reached by reducing employees’ sick leave day. Social Impact Bonds projects are still new things in Finland. We are still experimenting and making progress all the time.” Another interviewee, Mr. Mika Pyykkö, from the Ministry of Economic Affairs and Employment of Finland, said, “there is still a lack of involvement from publicly-listed companies for now, the further impact-cocreation is hopefully attracting more attention for the mutual wellness.”

Another finding in this paper can be the great participation and involvement of private funding in Social Impact Bonds projects. Like Jani Kempas said in his interview, holding an experimental and persistent attitude, FIM is having faith in taking part in investment for impact in Finland for future well-being.

The past investments FIM has made are listed below:

	TyHy SIB	KoTo SIB	Lapset SIB	Työ SIB
FIM Fund size	0.6 million€	14.2 million€	5.1 million€	6.7 million€
Investment year	2018	2017	2019	2021

Figure 13. Investments FIM has made in Finnish SIB projects. Abstracted from interview with Mr. Jani Kempas. Johtaja, FIM Asset Management Company.

6.4. Leader of long-term SIB

Another important role of the Finnish Innovation Fund (Sitra) in this paper is the leader of impact investment of other public sectors in Finland. Sitra is not only an impact investing expertise organization (by the end of 2019), but also a significant public investor. Sitra’s mission is not only to take “proactive and preventive measures to ensure the proper functioning of society” but also aims at “an increase in productivity, among other things” (The Finnish Innovation Fund (Sitra), 2019).

Above all these roles, as we discussed earlier, it has the state mission of ensuring the national impact investment activities. Multi-mission Sitra has brilliantly advocated and led other public sectors in Finland to utilize Social Impact Bonds model while carrying out impact investing activities. The mission leads to a key task of the Finnish Innovation Fund (Sitra), that is to decide its investment targets. As a common knowledge, impact investment organizations target on “doing good” programs. Nevertheless, Sitra has a great responsibility of seeking for investment targets. Keeping close track of the social and environmental issues, its effort-making is themed and

schedules with extraordinary contemporary research for not only the time being but also time to come.

- 1) Firstly, the investment targets have been found from social sectors, such as social welfare projects. However, they are not limited within these sectors.
- 2) Coming up with possible solutions to the emerging social problems. Ability of foreseeing the upcoming possible problems from emerging social phenomenon is required specifically in the Finnish Innovation Fund (Sitra) programs.
- 3) Detail the investment target after framing the investment outcomes.

The Social Impact Bonds model is proven to be “working well” in all five interviews concerning various SIB projects in this paper. It is impressive that public sectors in these projects have strong faith in the outcomes, but it is still too early to tell what’s to come as most SIB projects are run on long timeline. As quoted from Mr. Jari Pekuri from the City of Hämeenlinna: “our Lapset SIB is a 12-year long term SIB project. We cannot say if this SIB is a total success at this moment. However, great corporations are made among the investors and the Icehearts® Toiminta. From the tracing of the costs so far, we believe Social Impact Bonds model is a secure way to make sure that the city only pays for the positive outcomes and that is great”. Ms Tarja Keltto from Lapset SIB from the City of Vantaa also mentioned the SIB is going on well and it is believed that more experience is learnt, and the targets can be achieved. Like Mr. Mika Pyykkö stated, due to the duration of impact investing projects, some are already proven efficient using SIB model such as Koto SIB, some are still on-going such as T2D (Type 2 Diabetes Prevention) and Lapset SIB. We believe in the success of these impact investing projects and we are definitely making more efforts in promoting future well-being.

6.5. Reliability, validity & limitation of the study

The multiple case study in this paper is designed to ensure the consistency of the research questions to serve the research questions at best. The six interviews were carried out at different times, on different impact investing projects, with representatives from different public sectors. The research results are believed to be applicable to other similar conditions, such as other Nordic countries with public missions alike. Questionnaire list of the interviews was sent for the interviewee to get core ideas on the forthcoming interview. Thus, the interviewees were able to make investigation, check project progress record and prepare for answering to the questions so that the research aim is maintained as the core of study. The interview procedure shall have provided an authentic representation of the impact investing processes among Finnish public sectors. Social concerns in this Finnish case study are universal in other countries. When there is a leading public sector or organization, it functions as a tie between social tasks and investors, serving the mission with less financial tense by utilizing Social Impact Bonds model. Thus, the findings in this study are regarded effective and consistent.

This paper's study is designed so that the most important elements in a Finnish public impact investment activity are taken into consideration. Participants in leading an impact investment project are listed and interviewed. Initiated by the previous Finnish Innovation Fund Sitra, many cases in this study have involved municipal sectors, which is why representatives from different public sectors are selected to be interviewees. Another important fact is that interview questions are designed by relevance to a specific SIB project in this paper. A free discussion session is for the project participants to freely express their thoughts. Many have mentioned the achievements by the moment of the interview, while some other interviewees are seeking for a smoother co-ordination. Key words searching makes sure of the quality of relevance in this study. Besides, figures collected are from official records of the public sectors and it is considered true and accurate, which also ensures the correctness of analysis in this paper. Though the data in the paper is true and accurate, the data is not complete, especially for failure cases. Due to the reason of confidentiality, interviewees are restricted to certain range of info which can be publicly shared, mostly about the successful cases. Moreover, interviewees are workers for these public sectors, or leaders of Social Impact Bonds projects. It is possible that workers in an organization where he/she earns salaries may have concerns if speaking negatively of the work places. Speaking mostly positive about own work place's projects may lead to lack of a comprehensive and objective perspective.

Last but not least, the cases are limited in quantity by the time of research. This paper has listed most-known Social Impact Bonds projects in Finland in recent years. Among these projects, the duration is so long that the ultimate results are yet to be observed in the coming years. By the finding from this paper, impact investing is highlighted with the importance of being "measurable" in Finland. In some impact investing projects, the duration can be so long that it is extremely difficult to measure the projects in time and with validity. What we have learnt from this study is that most Social Impact Bonds practices in Finnish impact investing are considered successful to the time being of this study. Public sectors in this paper have expressed both confidence and determination in developing more beneficial projects for the nation's well-being to different needs in the future.

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8. APPENDIX 1: LIST OF INTERVIEW QUESTIONS

1. The modified definition of impact investing in Finland
2. The Finnish Innovation Fund (Sitra)'s missions
3. The Finnish Innovation Fund (Sitra)'s achievements
4. The Finnish Innovation Fund (Sitra)'s tasks
5. The Finnish Innovation Fund (Sitra)'s social impact bonds model
6. The Finnish Innovation Fund (Sitra)'s future challenges
7. The Finnish Innovation Fund (Sitra)'s on-going projects
8. The Finnish Innovation Fund (Sitra)'s co-operations & collaborations
9. The general introduction of Lapset SIB project in Hämeenlinna
10. The project commissioner and service provider in Lapset SIB project in Hämeenlinna
11. The method of process tracing the Lapset SIB project in Hämeenlinna
12. Co-operation with the "Icehearts® toiminta" as the service provider in Hämeenlinna
13. The major investors of the Lapset SIB project in Hämeenlinna
14. The difficulties that occurred in the project process
15. The thoughts about the possible future changes
16. The problems that revealed from this stage
17. The confidence towards "social impact bonds" model
18. The belief that social impact bonds model as an effective method to success and the future expectations etc.
19. What are the aims of the tyhy project?
20. What are the main stakeholders in the tyhy project? What are seen as particularly influential ones in this SIB model?
21. How to evaluate the outcomes of the tyhy project as the Social Impact Bonds model is applied for assuring the project performance?
22. What type of indicators have been chosen to measure the outcomes/achievements?
23. How to comment on the effectiveness of social impact bonds model through tyhy project?
24. Are the aims achieved successfully in all 4 targeted organizations?
25. What key words could be used to highlight the characteristics of SIB in the tyhy project?
26. What is the aim of this Vantaa Lapset SIB project?
27. What are the features of applying social impact bonds model?

28. Who are the major investors in this project?
29. What are the difficulties of the Vantaa Lapset sibproject?
30. How to measure the project achievements?
31. What metrics are chosen to evaluate the success of the project?
32. Who are the major impact investors in this project?
33. What is the degree of co-operation and collaboration in the project process?
34. What are seen as the most noticeable advantage / disadvantage of applying social impact bonds model?
35. What are seen as the differences using social impact bonds model if compared to the traditional investing?
36. What does FIM do?
37. What investments has FIM made for social impact bonds projects in Finland so far?
38. What is the return on investment on the completed tyhy SIB project?
39. Is FIM confident in future social impact bonds projects in Finland?
40. What does FIM think about the future of impact investing in Finland using this Social Impact Bonds model? Will more private funds be attracted into Finnish impact investing?

9. APPENDIX 2: LIST OF FIGURES

- ◇ Figure 1. list of Finnish public sectors in this research
- ◇ Figure 2. Ben Piven (July 3,2019). “Socially Responsible” & Impact Investing, What’s the difference?
- ◇ Figure 3. The Investment Spectrum. Adapted from “European Venture Philanthropy Association: An Introduction (European Venture Philanthropy Association)”. October,2011. p.5. EVPA.
- ◇ Figure 4. Impact Value chain with illustrative example. Adapted from “A practical guide to measuring and managing impact.” by Hehenberger, L., Harling, A, H.& Scholten, P., 2013, European Venture Philanthropy Association.
- ◇ Figure 5. NESTA’s five levels of evidence for impact investing. Adapted from “Standards of evidence for impact investing.” By Puttick, R., & Ludlow, J., 2012, London: Nesta.
- ◇ Figure 6. On the One Hand, On the Other Hand. Adapted from “Social Impact Bonds: What works, what doesn’t”. By Aunnie Patton. 2013. Inside|Out. The Bertha Centre for Social Innovation & Entrepreneurship hosted at the Graduate School of Business. University of Cape Town, South Africa.
- ◇ Table 7. list of the six interviews in this paper
- ◇ Figure 8. Summary from all six interviews in this paper.
- ◇ Figure 9. The Finnish Innovation Fund (Sitra)’s Sustainable Development Goals in 2019. By Mika Pyykkö, Director of Impact Investing, 2019, The Finnish Innovation Fund (Sitra).
- ◇ Figure 10. SIB Portfolio 2019, Sitra. By Mika Pyykkö, Project Director, Impact Investing, The Finnish Innovation Fund (Sitra). Adapted from The Finnish Innovation Fund (Sitra) and Impact Investing, especially Social Impact Bonds model in Finland. “Do Good, Do Business” August 28, 2019.

- ◇ Figure 11. Social Impact Bond Implications. Adapted from “Social Impact Bonds”. By NCSL- National Conference of State Legislatures. 2016. Retrieved from <https://www.ncsl.org/research/labor-and-employment/social-impact-bonds.aspx>
- ◇ Figure 12. Modeling includes three joint layers. By Mika Pyykkö, Project Director, Impact Investing, The Finnish Innovation Fund (Sitra). Adapted from The Finnish Innovation Fund (Sitra) and Impact Investing, especially Social Impact Bonds model in Finland. “Do Good, Do Business” August 28, 2019.
- ◇ Figure 13. Investments FIM has made in Finnish SIB projects. By Jani Kempas, Johtaja, FIM Asset Management Company.