The role of Social Impact Bonds in financing a future mobility ecosystem

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1. Introduction

Social Impact Bonds (SIBs) are a relatively new form of channeling private money to the public welfare system to finance innovative projects aimed at addressing social problems. SIBs follow a payment-by-results logic. In a contract that is usually set up and coordinated by an intermediary organization a public-sector party commits itself to repay private investors if a certain intervention by social service organizations results in savings in public spending. Additionally, the investors receive a premium for the financial risks they take. If the social outcomes – which are assessed by a neutral evaluator – are not achieved, the investors lose their investment.

SIBs are mainly a tool for developing new ways of addressing social problems, creating networks to this end, and of promoting a culture of evidence-based spending in the welfare system (Scheuerle and Nieveler, 2017). In recent years, around 68 trillion Euro was managed professionally worldwide - and by 2020, these funds are set to rise to over 90 trillion Euro. In addition to the mainstream investor’s goal of maximizing return on capital nowadays there exists a new emerging trend: investors are increasingly interested in addressing direct social impact of their actions. Thus, social returns are added to the classic investment goals. (Bertelsmann Stiftung, 2016)

Social Impact Investing is currently still a niche driven by pioneers in the field. However, the growing momentum is unmistakable. An increasing number of specialized intermediaries has created the basis for attracting more investors and receivers and ultimately for improved social outcomes. At the same time, it becomes clear –once again– the relevant role of suitable regulatory framework conditions and political will in developing this small but promising market. SIBs serve as a financial vehicle for social impact investing, which includes investments either in impact-oriented organizations or funds with the specific intention of achieving social or environmental impact as well as a positive financial return.

For the time being, the scope of SIBs is mainly focusing on youth and employment, on recidivism and social care (OECD, 2016). However, several issues arise when considering alternative scenarios and areas of application where SIBs can be used to create the appropriate social added value. Current policy discussion about means to finance gaps in infrastructure sector around developed countries usually include public-private partnerships (PPPs), where construction companies, and either a consortium of private investors or hedge funds takes over the financing, construction and often the operation of a project.

Cumulative experience with PPPs has shown some important limitations in providing public services under competitive conditions while channeling private funds for the implementation of ecologically and socially sustainable projects in the context of future mobility. For these reasons, a question arises regarding the extend alternative financing methods can be used in financing mobility-based projects.

In recent years there is a new trend characterized not only by a growing demand for mobility but above all by an increasing variety of forms of mobility. Individualization, connectivity, and urbanization are shaping the mobility of tomorrow. Technical innovation and changing human needs are driving the new forms of locomotion: connected, digital, post-fossil and shared are the basis for the next stage in multi-mobility. Likewise, connected, intermodal and multimodal mobility will determine demand in the future by developing integrated mobility frameworks. The prerequisite for this is to think, organize and offer mobility no longer through different means of transport but rather along mobility chains. This means that mobility will work smoothly, economically, ecologically and socially sustainable as long as it does not take valuable time and economic resources from users. It represents an enormous task of the coming years on which most innovation efforts will rest.
As discussed along this document, SIBs represent a feasible alternative to fund mobility actions. However, as explained in section 3, one of the main limitations in implementing SIBs is related to legal uncertainties perceived primarily on the local level, the complexity of contract design and collaboration between social services organizations, legitimacy issues as well as the need to find efficient impact measurement tools. Based on these limitations and constrains, Section 4 offers some recommendations for SIBs implementation base on previous country-based experiences. Finally, section 5 includes a description of expected outcomes as the basis for further discussion on the future role of SIBs mainstream practices.

2. Current issues on Social Impact Bonds

Nowadays governments around the world rely heavily on revenue generated directly and indirectly by transportation. Potential revenues from fuel taxes to parking fees, traffic violation fines, value-added taxes from vehicle purchases, subway and bus fares, and registration and licensing charges can provide critical resources to maintain infrastructure and support public transit. As the future of mobility unfolds, those reliable sources of funding could come under increasing strain. The rising electrification of vehicles could reduce tax receipts from diesel and gasoline. Shared mobility services may prompt people to abandon car ownership altogether, which would lead to declining revenue from sales taxes and licensing and registration fees.

In addition, overcoming global development challenges and advancing objectives for public good require significant investment in projects that bring about positive social impact. Many of these investments are expected to be financed by debt instruments including bonds.

SIBs, also known as pay for success or social innovation financing are considered to be a feasible alternative to fund public projects. The idea is based on a commitment from government to use a proportion of the savings that result from improved social outcomes to reward non-government investors that fund the early intervention activities (see Appendix A).

SIBs are bond instruments where the proceeds are exclusively applied to finance or re-finance Social Projects. These are projects with the objective to address or mitigate specific social issues and/or seek to achieve positive social outcomes especially, but not exclusively for a target population(s) (ICMA, 2018). Social Bonds are designed to attract bond investors to invest in Social Projects.

The issuance of Social Bonds has increased dramatically in recent years, growing over 10 times in annual volume from 2014 to 2018, with an ever-increasing number of issuers, investors and arrangers active in this space. The Social Bond market is expected to continue to grow in volume, issuer, currency and geographic diversity (ICMA, 2018).

As local governments struggle to meet their budgets, they have been forced to cut social programs often because of reduced federal support. This bears several issues around whether cities will be able to enough money to get smarter and how they can improve on the use of private vehicles to fulfill mobility needs.

The particular characteristics of projects funded by social impact bonds are particularly aligned with the goals of a smart city: performance can be measured through available data, efforts should be scalable and replicable, and total benefits to society should be greater than the programs they replace. Moreover, only those programs that deliver the promised results are paid. Therefore, government only funds programs “that work”. As long as projects prove to be successful by meeting performance
metrics and yield potential savings to taxpayers, social impact bonds could serve as an excellent mean to transform automotive-driven ecosystems into mobility-driven ones.

The motivation of financial institutions interested in launching Social Bond programs is manifold. They basically support the development of sustainable finance initiatives in a large part of their core business. Social bond initiatives are intended to support recent proposals of the EU Commission concerned with an ambitious sustainable transformation of the financial system while assessing the social impact of businesses according to the Sustainable Development Goals of the United Nations (SDGs).

In addition to these broad political tendencies, by issuing social bonds financial institutions have the opportunity to make their business model even more transparent while obtaining citizen support, which also provides benefits to the investors. The latter can gain an even deeper insight into their customer groups and business areas which potentially help them to diversify both its refinancing options and its investor base.

3. How institutions are dealing with Social Bond implementation?

As the issuance of social bonds has increased significantly in recent years, improved transparency and reporting are required in developing a sustainable Social Bond market and maintaining the integrity of the market. Thus, harmonization of reporting practices across institutions requires the identification of quantitative social indicators that are compatible with different internal processes for managing proceeds and determining project eligibility. This variety of indicators may measure outputs (specific products and/or services provided), outcomes (benefits or changes that occur as a result of the outputs), or long-term impact (the final result of the outcomes which may take several years to become evident after project activities are completed).

The set of social bond principles issued by the International Capital Market Association (ICMA) includes some core components and steps that describe the process, management and reporting for the selection of loans that can be refinanced:

1. Use of proceeds. The funds that can be raised via Social Bonds are used to refinance loans with a social added value.

2. Project selection and evaluation. It includes both, quantitative financial criteria (e.g. exclusion of other refinancing sources; loan type; minimum loan amount; minimum ratings and residual term of loans) and qualitative (e.g. determination of topics, categories, or specific client groups; selection of client type).

3. Management of proceeds. when a Social Bond is issued, funds are appropriately allocated in the full amount of the respective issue volume immediately after the transaction is executed.

The Social Bond Pool issued by the third-party investor is reviewed at least once a year and compliance with the defined selection criteria is monitored in particular. If loans no longer fulfil the defined criteria catalogue, they are removed from the Social Bond Pool and replaced by other loans that meet the selection criteria.

4. Reporting (impact assessment). Once a year, the private investor is requested to publish a report on the outstanding Social Bonds and related social aspects. This report will contain
qualitative and quantitative data that implies portfolio-based statements on the categories, allocation information and certain KPIs for the individual sub-categories (see table 1 below).

Table 1. Data for project allocation and impact assessment. Source: ICMA (2018).

4. Emerging issues on mobility to be addressed through SIBs

In recent years it there has been a major shift in customer mobility behavior. Concepts such as car sharing, ride sharing, bike sharing, and shared parking have observed strong growth rates. These trends are particularly fueled by a young population that is moving away from car ownership towards and focusing on commuting from point A to B. On the one hand, rapid emergence of global players such as Uber, Zipcar or Didi has been driven by their business model innovation, pivoting on their ability to provide consumers with the freedom of on-demand access to car and related mobility solutions without having to own the vehicle. Nowadays automotive manufacturers are competing with mobility service providers and big data players. The mobility market of the future is characterized by an intensive competition between automotive manufacturers and new competitors from the digital and telecoms industry. (CAM, 2018)

On the other hand, governments as well as city officials are facing a set of challenges when it comes to ensuring the fundamental need of urban living: getting from A to B. Around 54% of the world’s population lives in cities, which is expected to further rise to 67% by 2050 as urbanization will exceed 80% in OECD countries (OECD, 2017). In this context, five basic challenges faced by urban living ecosystems are required to be addressed (Häcker, 2018). Namely,

- The main concern of a city’s transport policy is to make the city as attractive as possible by reducing congestion and streamlining the parking of scheduled vehicles. In addition, reducing emissions is a critical issue with significant legal and regulatory implications and possibly even penalties for certain types of vehicles. The solution to the mobility challenge requires bold, coordinated action from both the private and public sectors.
New technologies and commercialization, smart strategies, business model innovation and financing are needed to achieve mobility efficiency while creating a sustainable urban environment. How can cities meet these challenges? Penalties and hefty prices can severely restrict cars on the road.

Besides incentives for new mobility concepts can be set. For example, to stay relevant and involved, OEMs need to support the development of intelligent transport systems embedded in traffic lights, multi-story car parks, toll booths for communicating with vehicles, to reduce congestion, improve safety, relieve public finances and reduce fuel consumption.

New multimodal mobility services - the combination of public transport, cars / bike sharing and own vehicles - are the logical consequence on the road to efficient urban mobility. Cities and OEMs have common interests that require cross-sector collaboration.

Cities are already detaching rapidly from the distinction between public and private transport as two separate fields towards a more integrated multimodal mobility network. The main drivers of change are demo graphics, customer preferences and technology.

Given the issues above, SIBs can potentially address basic mobility challenges faced by urban living ecosystems as long as relevant issues are correctly addressed. The following section identifies and discusses issues around how to make SIBs implementation more effective.

4. The role of SIBs in dealing with mobility challenges - some recommendations

To improve the functioning of SIBs, there is variety of measures that can improve the acceptance and implementation of further SIBs. Such measures include:

1. The challenges in the new mobility sector and the consequent paradigm shifts lead us to an important question: Automotive (finance) strategy – quo vadis? The guiding principle for OEMs can be summed up as follows: “Embrace the disruptive innovation potential through smart investment and ecosystem collaboration.” (Häcker, 2018). Thus, one key recommendation regarding SIBs implementation in supporting disruptive smart investment and collaboration is to create legal security. As the German Social Code (SGB) does not consider innovative measures yet, adding a clause in the SGB regulating the funding of innovative approaches such as SIBs could provide a more solid basis for negotiations in the future. Likewise, at European level it would also require to align and amend European policies and legislation on autonomous driving and push for a technology-friendly funding.¹

2. It is advisable to develop the SIB model towards more flexibility: So far, SIBs have an all-or-nothing design. However, to reduce the risk for investors, the objectives could be achieved

¹ Likewise, in the case of Germany, a second legal challenge is the budgetary treatment of SIBs (Fliegauf et al., 2015). The German budgetary law requires that potential savings arising from a novel mechanism be demonstrated ex ante. For SIBs, a funding commitment for a period of several years is necessary, which is generally difficult to get. This can be even more difficult when SIBs are supposed to be implemented across more than one legislative period, at least in some federal states.
gradually. This means that private investors would receive money back according to different thresholds displaying the cost saving for the public partner. This would reduce the risk for investors and thus most likely also the transaction costs of finding partners associated to a specific type of city environment (McKinsey & Company and Bloomberg 2016):

- A “Clean and Shared” system, which is particularly the case for low-income, dense urban agglomerations where progressive rapid urbanization and urgent problems of congestion and pollution exist. Full autonomy is to be less expected in this system.

- “Private Autonomy” system are more common in large-scale, high-income settlements where private car ownership remains a key element. Autonomy and electrification could make traveling more comfortable, safer, cleaner and more enjoyable and cut costs.

- “Seamless Mobility” system, to be expected in agglomerations with higher income where the trends in autonomy, electrification and shared mobility are rapidly advancing and are being used for "seamless mobility". These would be technologically advanced and stable mobility systems that predominantly provide a system of multimodal on-demand, door-to-door service.

Overall, third party investors (issuers) should identify the target population(s) for which positive socio-economic outcomes are expected.

3. Developing efficient impact measurement tools for SIBs is crucial for the SIB model to work reliably (either on the project level or on the portfolio level). That is, evaluation and impact measurement are to be performed in an adequate manner which often requires a detailed knowledge of the legal environment.

For this purpose, companies and governments should take an integrated perspective, rather than looking at each emerging mobility trend in isolation. Thus, resources can be saved if the evaluator has the necessary knowledge in the field in question. However, there is also a need for expertise in impact measurement procedures and even more for further development of efficient tools to provide it.

Appreciating the stakeholder interdependencies and reinforcing effects and measurement procedures is crucial to understanding the impact of change and to set a clear path forward that balances the upside with potential adverse effects. Likewise, ecosystem players – public and private – will need strong partnerships to succeed. Basic mobility needs in a system could be provided by a blend of public transit and shared mobility business models. Cities and transit operators should leverage, for instance, the benefits of ridesharing and the potential of autonomous vehicles for first- and last-mile services.

3. As long as SIBs remain a tool to test new and innovative approaches and do not become a tool for regular financing, it makes sense to set up a (federal) state budget for financing innovations and designing regulatory frameworks compatible with technological innovation while addressing bottlenecks in advanced mobility. Such budgets could exist at the national

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2 Choosing a reasonable number of partners is key. One or two social service partners may be more efficient than three or four, at least if there are no established regular work relations. Otherwise the transaction costs might be too high.
level and could be used to guarantee that private investors on the local level are paid back the money they invested, if the SIB results in success.

In this context, government could craft regulation that is in sync with technology development and ahead of consumers: this includes support for self-driving vehicle pilot programs and incentives to stimulate uptake of electric vehicles, particularly in urban areas. Public investments in charging infrastructure and dedicated lanes for self-driving vehicles could stimulate uptake of electric and autonomous technologies. Incentives to steer autonomous vehicles toward shared rather than private use will help curb demand increases from zero-occupancy rides and maximize the social returns from this innovation. Regulators should also consider preempting the potentially adverse effects of increased mobility and loss of fuel tax revenue, for example by using connectivity to facilitate infrastructure pricing or introduction of ultra-low zones.

4. There is still a tendency to argue that in the long run SIBs can also represent an attractive investment for financial institutions, pension funds, or insurance companies. However, current cost and risk structure indicates that SIBs are an option for impact investors who accept returns on their investments below the regular market level in favor of the social impact that is created. Such impact investors can be foundations, high-net-worth individuals, or companies with a CSR budget; they, at least, should be the main partners participating in the learning processes. Therefore, targeting more specifically impact-first investors for SIBs is required.

In addition, lack of standards and common regulations go hand in hand with the other bottleneck of access to appropriate funding opportunities. In fact, there is a large funding gap and no optimal conditions for access to finance for European companies developing these technologies and services. Europe is losing out compared with the US and parts of Asia, even in areas where it could enjoy a “natural” competitive edge. This is basically due to its traditionally smaller venture capital (VC) markets which results in smaller average ticket sizes as well as lower availability of scale-up capital in areas related to urban green mobility solutions, low carbon highly energy efficient road vehicles, and automated and connected road transport. (European Investment Bank, 2018)

Next, we provide some insights concerning potential outcomes on the role of SIBs on future mobility development, which are intended to form the basis for further policy discussion.
5. Potential scenarios

According to the mobility market specificities outlined above—along with the complexity and requirements associated with SIB as a form of financing—the following scenarios could potentially enable sustainable value added.

*Cars as digital (platform) devices*

Digitalization is one of the universal trends in our world and has reached the automotive world, since modern vehicles generate and utilize data in never seen before magnitudes. Nowadays vehicles are not only equipped with an array of sensors to collect and monitor their own state and their surroundings but have also access to a multitude of other data sources beyond the physical vehicle’s scope. Fully connected vehicles of the future will further extend traditional information boundaries by utilizing digital data from a wider range of sources. (DB Research Management, 2017)

The rapidly increasing amount and access to automotive data has attracted the attention of both established automotive and non-automotive companies, which seek economic potential from the newly available data pool. In this context, however, it is not enough to include classic mobility service providers and car manufacturers in the analysis. The Chinese market is already demonstrating that more and more non-industry players are entering the mobility market (Roland Berger, 2018). Automotive manufacturers and mobility service providers competing with big data players. The mobility market of the future is characterized by a "War of the Worlds" between automotive manufacturers and new competitors from the digital and telecoms industry. Thus, providing access to movement data and user behavior to further parties therefore represents a key element for the monetization of those data. (CAM, 2018)

Because of their origins, it is obvious that IT and data companies are particularly interested in developing and marketing digital services that can be useful around the road and beyond. Ultimately, they are (also) concerned with monetizing the flood of data that is available or generated before, during and after a drive. The more extensive the access of companies to the respective current and expected data of the individual motorists and the used vehicles, the easier this project will be.

Ultimately, users should “pay” by providing their personal data—so to speak—since they are offered tailor-made information about their journey or that they can make better use of locomotion time according to individual preferences for business and private purposes.

Entry of new players into the market of modern mobility offers various potentials for new business models that allow citizens to experience mobility at unprecedented monetary prices. Therefore, basic mobility needs can be made accessible to anyone at all times, and people who are financially weak, limited or otherwise in need can easily participate in it in unprecedented form. So far, it has been less of a concern for private companies to enter the highly constrained and limited mobility market, as classic mobility patterns, as prevalent, have made economically viable business models of external actors virtually impossible.

Due to the shift in user interests, new technological potentials and worsening framework conditions (urbanization, rising population, demographic change, changed mobility behavior, aging transportation infrastructure etc.) external actors are closing an important gap in the future mobility ecosystem and at the same time enable them to achieve profits. The question of how to finance the mobility of the future no longer applies only to the shoulders of public authorities, infrastructure providers and political actors, but is spread to many more actors by the opening up of the market.
The same time, these actors have a stake in building new structures of which will benefit citizens' mobility options. (Deloitte, 2016)

These changing circumstances therefore provide a solid foundation for the use of financial instruments, such as SIIs, as the data available on the one hand greatly facilitate project evaluation and, on the other hand, the new market is attractive to a large number of private investors. Governments will more often rely on private funding institutions know-how which, at the same time, only has to apply a minimum amount of effort to adjust to new financing frameworks. Overall, the basic need for mobility and thus participation in social life is made possible for all groups of the population, which is accompanied by a considerable appreciation of living conditions and thus, with sustainable social impact. In addition, numerous other current challenges, such as overpopulation, environmental pollution, noise and particulate matter pollution, as well as crowded streets can be efficiently overcome through novel mobility concepts, facilitated and financed by developments described above.

The following section is intended to show the extent to which new technological potentials and innovations in the field of mobility of the future can be unified for all actors on an equal footing in the mobility ecosystem of the future.

*Mobility platform of the future*

Current increasing trend of urbanization in combination with demographic change and associated increase of older citizens provides a starting point for projects with sustainable and long-term social added value. As already mentioned, it is essential for successful implementation that both public and private actors enable channels for further cross-sector cooperation.

In the particular context of future mobility neither private nor state actors alone will succeed in isolation. Due to specific conditions associated to mobility solutions (required physical and digital infrastructure, monopolistic tendencies, data ownership, mixture of private and public providers etc.), where political, economic and knowledge resources meet, nowadays all involved stakeholders are required to interact to find common and financially sustainable solutions. The need for further coordination to enhance social-based business opportunities is likely to remain in future developments of mobility projects. It might even become more important to ensure broad and equitable access to transport, however future developments towards individual mass mobility, local public transport will become a relevant component of public services of general interest. Public transport is being developed further in the direction of individual mass mobility, which also requires continuous and fluid collaboration with private partners aimed to exploit potential synergies (Goldman Sachs, 2017).

In this emerging trend “Mass Mobility Ecosystem” buses and trains may be completed by a dense network of so-called public-private vehicles and micro-carriers such as electric scooters and autonomous shuttle. Derived from current trends and forecasts, private cars become part of public fleets and through sharing platforms to individual public transport. Thus, collaborative links between individual mobility and public transport will become the cornerstone of tomorrow's mobility. That is, public transport and individual traffic will merge into individual public transport by “bringing people to where they are”.

In urban areas, shared autonomous vehicles could potentially be integrated with other types of transit by creating a mobility ecosystem that offers customers a myriad of choices to seamlessly travel across multiple modes on demand, as well as the possibility of moving more people and goods in a way that is faster, cheaper, safer, and more convenient than today. In this context, services for special-needs
passengers and those who are financially challenged can be offered cost-effectively and efficiently through private-public cooperation.

The realization, coordination and integration of these scenarios requires smart and efficient management of various mobility potentials. To prevent monopoly formation in the mobility market of the future from the outset and thereby avoid effects as the "winner takes it all" phenomenon (e.g. price dictatorship, elimination of competition, an increase in profit) the use of a decentralized (state-initiated) platform is a promising approach to enable all actors to access the mobility market in the future while guaranteeing equal opportunities. Instead of leaving the field to global corporations (so called “Super Star Firms” (Autor et. al 2017), smaller companies should be able to join forces. The planned platform solution can be used and expanded by any actor, serves as the basis for in-house developments and thus acts as a catalyst for innovations in the mobility sector.

The platform enables a direct exchange between mobility providers and companies (B2B) as well as mobility providers and end customers (B2C). In doing so, companies benefit from barrier-free access to the market and end customers (citizens) from innovative products that can be created in a healthy competitive environment. In addition, this should make it possible to omit the central intermediary as far as possible while granting all participants a say according to federalist principles.

According to this mainstream platform model, all principles required by the ICMA can be implemented:

1. Social projects are feasible to identify and can be questioned in advance (both by the government and third investors) for their probability of success. Due to a holistic project description, critical factors such as time period, actors involved, budget plan, milestones, KPI and expected results for each project become uniform and separate visible.

2. Both the selection and the evaluation can be made on the basis of the transparent data. Special indicators can be specified for relevant projects. Governments, experts and relevant investors can select those projects that on the one hand provide social added value and on the other hand are promising in achieving their goals. Accordingly, principle to fund “project that work” is followed and the risk of all involved is minimized due to the transparent structure. In addition, it can be ensured that no similar projects are supported simultaneously. This diversification with an optimized resource allocation can leverage synergy potentials and prevent competitive situations.

3. The review process can be done real-time as a kind of controlling and does not have to be done later on the basis of elaborate third-party surveys. Currently, project key figures have to be prepared at regular intervals in an art audit in a cost-effective manner, and the current developments must be communicated. With the platform it is always possible to check the progress of the project and to intervene at an early stage if the corresponding milestones in the project plan are not reached - or clearly delayed. In this way, projects can be stopped early and valuable resources can be saved.

4. Due to the shared data space, common data structure and the flexibility of the solution, the reporting criteria can be defined in advance and continuously collected. It would be conceivable to have a controlling dashboard that contains and processes predefined indicators and their degree of fulfillment. Depending on the content of the project, it would be possible that such a monitoring would be fully automatic due to the widespread sensor technology and the predominant use of digital "smart" devices and services.
The transparency gained through mobility platform (i.e. project data, user data, and interaction streams) through various projects makes it possible (e.g. for the government) to explicitly promote those who have a particularly high potential to provide long-term social added value. In this way, an adverse selection takes place and funding vehicles such as SIB can focus on social scenarios. Moreover, otherwise incurred search costs in the matching of structural actors are avoided and many otherwise usual control and reporting instances are simplified or even become obsolete. Technologies such as cloud computing, blockchain and smart contracts make it possible to store collected data in a revision-proof manner, thus preventing and avoiding misuse.

Overall, this mainstream mobility platform can be monitored at any time while identifying potential solutions to be used by citizens and governments in terms of targeted funding, continuous control and project evaluation. It will represent an important step towards a decentralized mobility market, in which as many different actors as possible participate in its conception. For this purpose, public hands along with citizens, companies and municipalities should be called for ongoing conversations in promoting adjustments and future models of mobility platforms.
Appendix A. Stakeholders in SIBs

From the very beginning, stakeholders in SIB work intensively with each other in order to formulate a contract on which the implementation of the intervention is founded. There are five stakeholders in SIB, all of which have their own motivation for participation in the SIB (Klassen, 2017):

1) Government: It makes payments if an intervention appears to work, and the effect (outcome) that was agreed in advance is achieved. From the customer’s perspective, SIB is a simple performance contract.
2) Financier: they pre-finance the intervention and bear the risk in exchange for a return. They develop a new market by providing growth capital to social organizations.
3) Implementing organizations: they make the intervention that is agreed and are placed in a position to control more than just the output. They anticipate long-term financing and the extension of activities in case the intervention succeeds.
4) Intermediary: they are the ‘brokers’ in the creation of the SIB, and keep partners informed about the organizations and reports, in order to ensure that SIB comes into existence.
5) Target group: the SIB target group is delimited, and these persons benefit from the intervention provided by the implementing organization.

Source: Klassen (2017).
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