Social finance, pay by result and social impact bond. A potential tool to facilitate social and professional rehabilitation of prisoners. Analysis of a specific case in the European Community. The state of play in Italian context

Iolanda Romualdi[a*]
[a]*University "G. d'Annunzio" of Chieti-Pescara, Italy*

Abstract
This article analyzes the new paradigms of impact investing and the relationship with social experimentation contexts, specifically, the Criminal Justice sector, where Pay by Result (PbR) and Social Impact Bonds (SIBs) start to be used as potential tools to foster the social and labor reintegration of detainees, reducing the percentage of recidivism and overcrowding. A new paradigm of social finance and an ideological transformation model aimed at supporting specific social policies that leverage the relationship between the public and private sectors, capable of restoring potential socio-economic benefits for the State and society as a whole through the balanced involvement of economic, social and cultural capital.
After a brief description of what is meant in the literature for SIBs and PbR, and after having drawn a general profile of some international contexts (British and US) in which the SIBs were introduced as instruments of social finance and possible means of solving the problem of the prison recurrence, we introduce the state of the art of the Italian case and the action plan that was decided to experiment in Italy in order to favor the social and working reintegration of the detained persons.
In particular, after having brought as examples of experimentation the projects already started in Peterborough Prison, in the UK, and in the Rikers Island juvenile prison in the United States, the article illustrates, in general, the possibilities of feasibility and the state of play of the use of SIBs in the European context, specifically, in Italy, in the Lorusso-Cutugno prison in Turin.
In this Italian prison, in fact, the Foundation Human Foundation with its collaborators has designed and launched a feasibility study since 2016, through an accurate work of analysis and experimental research, to test this new paradigm of social finance between potential limits, opportunities and risks.

Keywords: *social impact bond (SIB); pay by result (PbR); social finance; prison; recidivism; overcrowding; alternative to detention; social rehabilitation; prison Lorusso - Cutugno*.

1. What exactly is a Pay by Result (PbR) and a Social Impact Bonds (SIBs)? Is it possible to give a universal definition?

On November 26th, 2018 the eighth edition of the *European Sri Study* took place in Brussels, presenting the biennial research coordinated by *Eurosif: promoting sustainability*

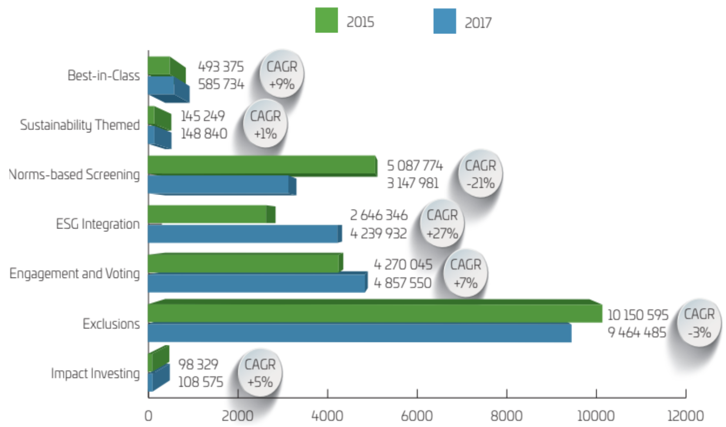
* Iolanda Romualdi. *E-mail address*: iolanda.romualdi@unich.it

through the European financial markets. The study analyzed the data, guidelines and financial results for the two-year period 2015-2017, demonstrating an implementation of financial offers on all fronts.

In the biennial Report, published in November 2018, there is an escalation of proposals in the social finance and impact investing sector, also for Italy, a considerable increase compared to 2015. A new and certainly revolutionary strategy that has grown 52% in the last six years.

As stated in the *Eurosif Report*, "Impact Investing continues to grow registering a 6-year CAGR of 52% and reaching €108 billion in assets, from only €20 billion in 2013. We are bound to see more growth for this strategy in the next years, as it becomes increasingly aligned with Sustainable Development Goals (SDGs): a turnkey for investors" (Eurosif Report, 2018).

Figure no. 1. Overview of SRI strategies in Europe



Source: http://www.eurosif.org/eurosif-2018-sri-study-launch-event/

These data raise questions about the imminent future of these modern financial instruments: What scenarios will be opened in the future in the social finance and impact investing sector? What advantages and risks can they reserve? What are the possible benefits for the state and society if applied in the Criminal Justice and penitentiary sector?

O'Leary, C., Baines, S., Bailey, G., McNeil, T., Csoba, J. and Sipos, F. (2018), write that "there is a considerable body of academic literature around the notion of Social Investment as a new welfare paradigm, particularly in relation to advanced European welfare states" (O'Leary, Baines, Bailey, McNeil, Csoba, Sipos 2018: p. 2), but the authors point out the lack of empirical research on the sub -national social investment and on the relations between volunteering and social investment.

In the recent years, a particular class of impact investing, called SIBs, has spread in many countries around the globe, applicable in different sectors of the social and philanthropic dimension: health, education, criminal justice, prison dimensions, but, to date, there are still a few empirical studies by sector.

At the base of the philosophy of this new form of social investment there is the certainty that solving a social problem means avoiding a cost for society; private investors invest money to finance a social intervention, the governments involved reimburse the investor only if the previously agreed result is achieved through validation by an external body that approves the results.

To sum up, in the field of criminal justice and recidivism, for example, at present, the idea is to succeed in assigning a precise financial value to a social result; in this case, the result is the social and work reintegration of the person in prison. If the subject concludes his path without recurrence, the Public Administration will not have to pay prison management costs, with significant savings that will favor the lowering of crime rates and, when the prisoner will find a regular job, a subsequent increase of tax revenue for the State.

Gustafsson-Wright, Gardner, Putcha (2015) write that “the persistence and enormity of social problems, despite attempts to address them, suggest a need for diverse and innovative solutions that address the weaknesses of traditional approaches. The social impact bond (and the related development impact bond), a mechanism that harnesses private capital for social services and encourages outcome achievement by making repayment contingent upon success, has been proposed as one way to address some of these challenges”. (Gustafsson-Wright, Gardner, Putcha 2015: p. 2).

Analyzing part of the international literature on the subject, however, we realized how difficult it is to return a univocal definition of what is meant by PbR and, specifically, for SIBs.

The impossibility of reaching a closed and usable definition in every area lies in the fact that these new forms of social investment acquire peculiarities and specificities in relation to the objectives to which they intend to reach, to the social, legal and economic contexts of the countries in which they are employed. The context is an important discriminant that sometimes characterizes, in one way or another, these forms of modern social finance, between opportunities and limits of realization.

A constant, which can certainly be found in many of the definitions in the literature on the subject, is the presence of capital in its various forms: economic, social, cultural, combined with a strong need for generalized trust in the institutions, the participants involved and in those who finance the whole operation, without neglecting the collaboration between public bodies and private and philanthropic societies.

Social finance was created to respond to changing needs of economic paradigms through the use of private capital to support some items of public spending (Cohen, 2014, in Del Giudice, 2016: p. 19).

According to the definition that is read in Del Giudice (2016), impact social finance or impact investing is a particular form of investment, “is the set of technical forms of social finance aimed at financing innovative projects able to improve the effectiveness and efficiency in the production of social goods” (Del Giudice, 2016: p. 15).

Del Giudice (2016) points out, however, that social finance does not currently have a precise definition and configuration of the areas of action. In the European context, the concept of “social” assumes a more restrictive value, different from the United States (Del Giudice, 2016: p.19).

The forms, the recipients, the areas of application vary continuously and many difficulties remain in defining the scope of action of the discipline, given the dynamic phase of the topic.

An unequivocal definition is due to the different contrasts of the market and the legal system referred to the countries that adopt this type of investment (Del Giudice, 2016: pp. 15-16). An example in this matter is certainly represented by the European context, where social finance presents important differences with respect to the value, the ends, the applicability that can be pursued, for example, in the US or British context.

C. Fox and K. Albertson (2011), who have studied in their article the impact that PbR and SIBs have in the context of criminal justice, write that “PbR allows the government to pay a provider of services on the basis of the outcomes their service achieves rather than the inputs or outputs the provider delivers. It is suggested, by focusing reward on outcomes and providing minimal prescription as to how these outcomes should be achieved, payment by results models will drive greater efficiency, innovation and impact in tackling social problems. This approach is being explored in different parts of the public sector, including the Department for Work and Pensions. PbR is seen as a key tool in reforming criminal justice services” (Fox and Albertson, 2011: p. 395).

They also write that “social impact bonds (SIBs) are a form of payment by results which allow the financing of social outcomes via private investment. It is suggested that payment by results and SIBs will drive greater efficiency, innovation and impact in tackling social problems through focusing reward on outcomes and providing minimal prescription as to how these outcomes should be achieved. It is suggested that this may be achieved while also reducing risk for government” (Fox and Albertson, 2011: p. 395).

The authors, however, in their article bring to light the possible limits of the applicability of these financial instruments, showing uncertainty and skepticism for some sectors, in fact, they argue that it is not always easy to estimate and evaluate the potential impact of interventions, measure the benefits, and demonstrate the tax return.

The authors acknowledge that through the use of PbR we can arrive at interesting solutions in the public sector, however, in the criminal justice sector, where it would be difficult to quantify the savings potential, the benefits have yet to be demonstrated (Fox and Albertson, 2011: p. 395).

Another possible definition of SIBs is as follows: “social impact bonds (SIBs) are among the newest and most promising innovations within the impact investing space. As financial instruments that mobilize investment capital to tackle social challenges, they have the potential to create shared value - financial returns for investors, social benefits for underserved communities and individuals, and enhanced efficiency for governments and social service providers. Until their promise is demonstrated, however, the future of SIBs is far from certain” (Palandjian and Hughes, 2013: p. 1).

But, despite the good conditions, even in the definition of these authors ambiguity remains on the results and the possibilities of evaluating the objectives achieved. Surely, the success of SIBs lies in measuring their social impact, but the social impact is very difficult to measure.

In a recent paper, the authors N. McHug, S. Sinclair, M. Roy, L. Huckfield, C. Donaldson (2017) presented a wide-ranging critique of the SIBs, analyzing the unexpected consequences that could occur for the English third sector.

The authors, in fact, highlight the main limitations of these social finance instruments, such as measuring social impact and social goals for which standard measures are not available; the authors anticipate the need to adopt new indicators.

They write: “SIBs are a form of ‘social investment’ (Lehner and Nicholls, 2014; Nicholls et al., 2015) or ‘impact investment’ (Jackson, 2013), where private investors fund the capital requirements of social interventions and receive market rates of return only if the intervention achieves some predefined outcome targets. Technically, a SIB is not actually a ‘bond’ as understood in conventional finance terms, but a form of ‘Payment by Results’ (PbR) policy. PbR was initially introduced in UK welfare provision by the Labour government in 2009 as part of the Flexible New Deal employment activation programmed, and then expanded and extended over the course of the Conservative-Liberal Democrat Coalition UK Government, which was in office from 2010-2015" (Roy, McHugh, and Sinclair, 2017: p. 3).

According to the authors' comments, "on a technical level, SIBs require a significant amount of investment to become operational, let alone effective. Consequently, SIBs are too expensive and risky for most community-owned organizations" (Roy, McHugh and Sinclair, 2017: p. 6).

Ronicle J., Stanworth, N., Hickman E., Fox, T. (2014) write: "a Social Impact Bond (SIBs) is a relatively new concept, but one that has caused much interest in the UK and overseas, especially in the US. But what is a SIB? What are the benefits and challenges of being involved, and what needs to be done to grow the market? ... SIBs are becoming an increasingly important way of delivering services and interventions that improve outcomes for individuals and communities in both the UK and overseas. A SIB is a type of Payment by Results (PbR) contract, where the finance needed to make the contract work is provided by social investors rather than by service providers" (Ronicle, Stanworth, Hickman, and Fox, 2014: p.1).

In other words, "SIB is an innovative financing mechanism in which governments or commissioners enter into agreements with social service providers, such as social enterprises or non-profit organizations, and investors to pay for the delivery of pre-defined social outcomes (Social Finance, 2011; OECD 2016: p. 4).

More precisely, a bond-issuing organization raises funds from private-sector investors, charities or foundations. These funds are distributed to service providers to cover their operating costs. If the measurable outcomes agreed upfront are achieved, the government or the commissioner proceeds with payments to the bond-issuing organization or the investors. In reality, the term "bond" is more of a misnomer. In financial terms, SIBs are not real bonds but rather future contracts on social outcomes. They are also known as Payment-for-Success bonds (USA) or Pay-for-Benefits bonds (Australia). (OECD 2015: p. 5).

SIBs are therefore a form of investment with a social impact through which we intend to bring new capital into the social world. Creating a SIBs model requires a careful analysis of the context and of the social and legal variables in order to be able to calibrate the measurement of the social impact of the project, and the subsequent validation of the results.

Before starting an experiment of SIBs it is necessary to analyze and evaluate a series of socio-economic and juridical variables of the country of departure, to arrive at a careful analysis of the state of the art of the social investment plan in order to evaluate if in that context, the use of SIBs tools will be able to return advantages for the Public Administration and for the reference company over time, with an important economic saving for the state finances and a significant increase of social capital for the social actors involved.

Until now, the social finance tools are used to try to give answers in terms of social and economic advantage in different areas: school, health, legal-criminal etc.

Singular experiences of using PbR have been used to try to reduce the phenomenon of prison recurrence, as in the case tested starting in 2010 in the UK, at Peterborough Prison's, or in 2012 in the United States, where, in Rikers Island's prison, social finance trials for the recovery of young deviants were initiated. In Europe too, cases of social finance experimentation have been carried out in the prison context.

Specifically, in Italy, between 2016 and 2017, a research group headed by the Human Foundation, after careful and meticulous work of analyzing the context and studying possible risks, in close collaboration with the Italian Penitentiary Administration Department wanted , on the English example, experimenting with a model of social finance such as the SIBs, tried to reduce the percentage of recidivism of persons in detention through programs of social rehabilitation, rehabilitation and social rehabilitation. The following is a brief illustration of the pioneering examples of the application of SIBs in the Anglo-Saxon, American and Italian prison context.

2. The experience in the United Kingdom: the case of Peterborough Prison

Fox and Albertson (2012) write that "in recent years the UK government has emphasized evidence-based policy, as a part of which the Payment by Results (PbR) approach has increasingly been promoted. Payment by Results allows the government to pay a provider of services on the basis of specified outcomes achieved rather than the inputs or outputs delivered. Linked to PbR is the innovative source of funding social interventions know as Social Impact Bonds (SIBs)" (Fox and Albertson, 2012: p. 355).

In fact, "in 2010, the world's first Social Impact Bond (SIB) was launched at Peterborough Prison. It was used to fund an intervention – 'The One Service' – aimed at reducing the reoffending among prisoners discharged after serving a sentence of less than 12 months. Under the terms of the SIB, investors are paid according to how successful the One Service is in reducing reconvictions. If a minimum threshold of a 7.5% reduction in reconviction events is reached across the pilot, payment is triggered. Additionally, there is an option to trigger an early payment if a 10% reduction is noted in the number of reconviction events in individual cohorts" (Anders and Dorsett, 2017b: p.1).

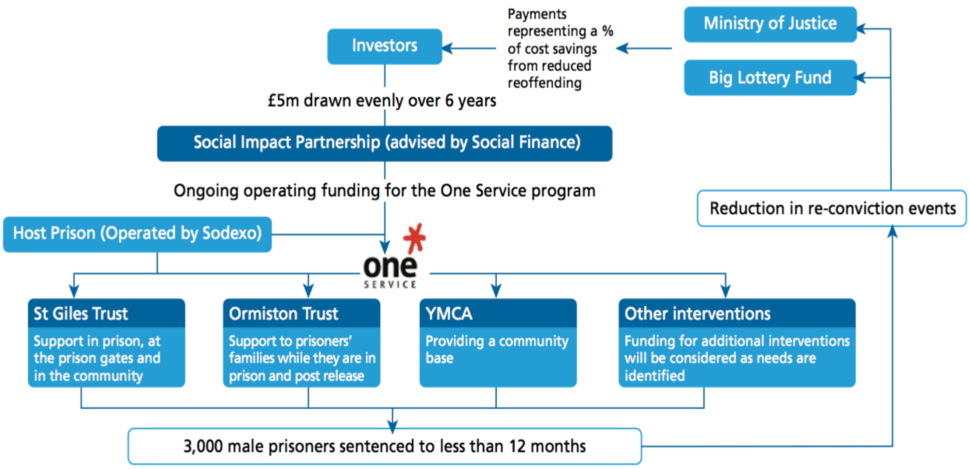
A propensity score matching (PSM) approach was used to estimate the impact. For cohort 1, the impact was estimated, by a previous team of independent assessors, to be a reduction in reconviction events of 8.4% (Jolliffe and Hedderman, 2014 in Anders and Dorsett, 2017b: p. 1).

Peterborough's experience started from the assumption that it was possible to create a relationship between lowering the rate of recidivism and potential savings by the administration of justice. If the detained person had not returned to prison at the end of the detention path, the Public Administration could have benefited from quantifiable benefits with respect to the costs that would have been incurred instead directly as a result of the detainee's return to the detention ring. Indirect benefits should not be underestimated as the community, in the event that the subject had not repeated the crime, would have enjoyed a considerable reduction in the crime rate up to a higher tax revenue when the prisoner had found a job stable work.

Moreover, if the application of this new instrument had worked as expected, it would have favored the reduction of perception of urban insecurity percentages with a proportional increase in generalized trust of the population involved, which would have returned, in indirect terms, the advantage received. The Public Administration, however, would have repaid private investors, who had anticipated capital to test the effectiveness of the project, only if the pre-set results had actually been achieved. A third independent element should have acted as a verifier, i.e. validate if the initial results had been achieved; if everything went as planned, the investment risks for the state would be reduced.

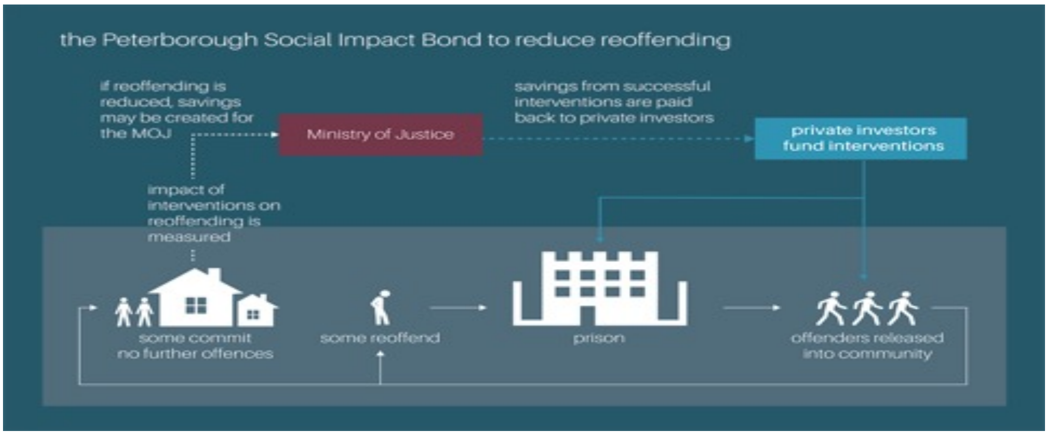
Below is proposed a diagram illustrating the mechanism of SIBs in Peterborough Prison.

Figure no. 2. The mechanism of SIBs in Peterborough Prison



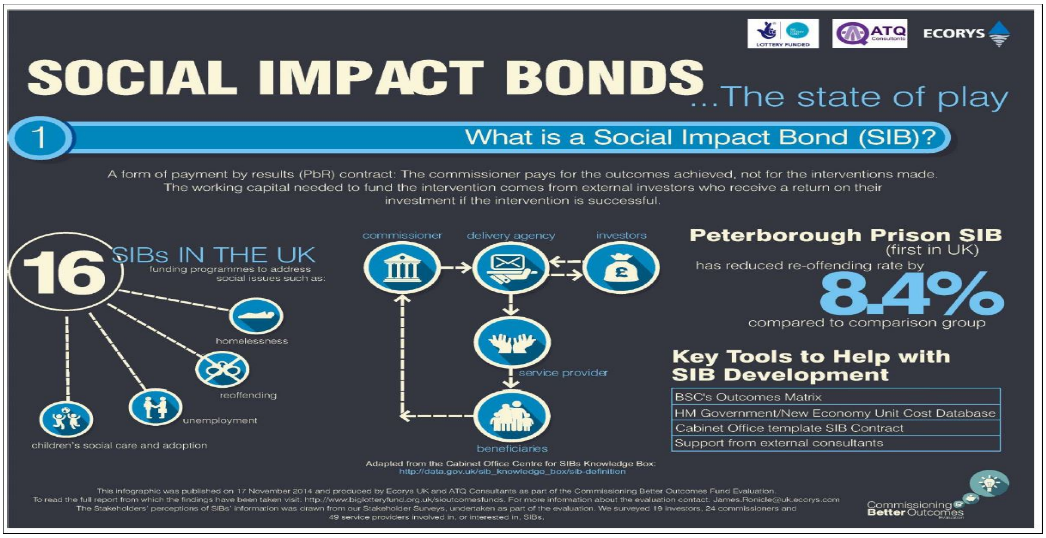
Source: httpwww.secondowelfare.it%2Fprivati%2Finvestimenti-nel-sociale%2Fsocial-impact-bond-usa-uk.html&psig=AOvVaw1D6NE0SqBKoUS-N166zTW5&ust=1545708032126385&ictx=3&uact

Figure no. 3. The Peterborough Social Impact Bond to reduce reoffending



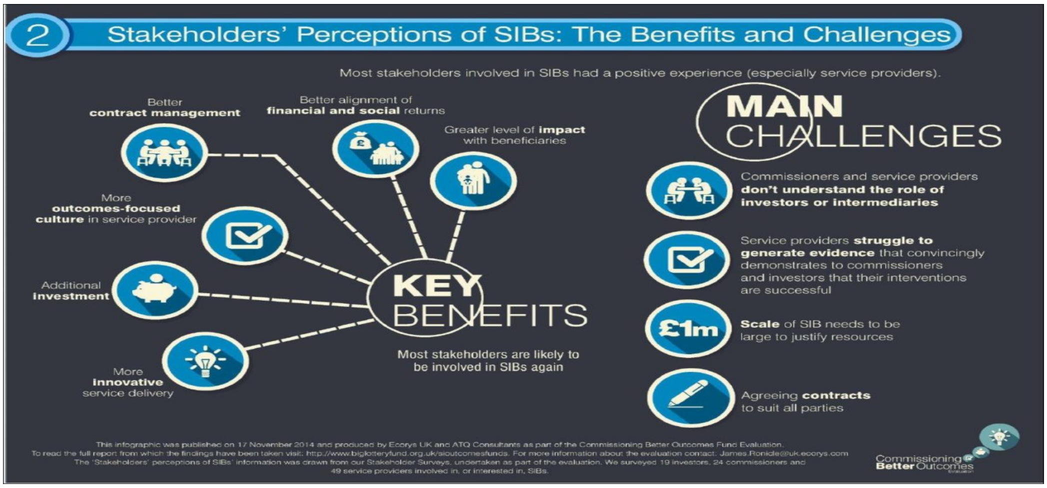
Source: https://www.rand.org/content/dam/rand/www/external/randeurope/research/projects/social-impact-bonds/peterborough-social-impact-bond

Figure no. 4. Social Impact Bonds the state of play



Source:https://www.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_15360638

Figure no. 5. Stakeholders' Perception of Social Impact Bonds



Source: https://www.biglotteryfund.org.uk/research/social-investment/social-impact-bonds

In the British intervention model, a sample of adults has been selected, with a final maximum sentence of 12 months, called short-sentence prisoners. These subjects were given support divided in two phases: aid in the period before the release and provision of a series of services after the release of prison, a way to discourage any criminal acts. Three cohorts of work were composed of 1000 subjects for a total time of 24 months for each cohort.

According to Gov.UK, "the results for the first cohort were published in August 2014 and showed that the pilot achieved an 8.4% reduction in reconviction events. This was insufficient to trigger an early payment for the first cohort as it did not reach the 10% threshold but it did mean that the pilot was on track to reach the combined cohort target".

On the Social Finance UK website's read that "the results for cohort 2 show that the pilot achieved a 9.7% reduction in reconviction events. To establish the overall success of the program, the independent assessor took the weighted average of the two cohorts. It was 9% - above the minimum threshold of 7.5% and sufficient to trigger an outcome payment".

In August 2017, *The Guardian* published some project results and commented as follows: "from 2010-2015, the service helped more than 2,000 men leaving prison. Figures on the first cohort, released in 2014, were good at 8.39%. Not enough for an early payout, but we remained confident and our announcement in July bore this confidence out. The service achieved a 9.74% reduction in re-offending. This will not only deliver for benefactors, who will see their initial investment repaid alongside a healthy interest payment, but also for wider society. Reductions in re-offending save the taxpayer, reduce the number of future crime victims and may persuade the investors to reinvest their capital back into helping make society a better place for us all" (Owen, 2017).

Although visible results have been achieved in 2010, many remain skeptical about the effective validity of these social finance instruments, especially when it is not possible to validate the result achieved due to the absence of evaluation and measurement standards.

C. Fox and K. Albertson discuss the potential benefits of PbR and they survey its use across the UK public sector, focusing especially on the criminal justice system (CJS), they conclude that PbR has a place in commissioning services, but that its role in the CJS is likely to be limited and unlikely to succeed as a socially efficient means of attracting new sources of funding, and they finish by considering two alternatives to PbR: justice reinvestment and personalization" (Fox and Albertson, 2012: p. 355).

3. The experience in the United States: the case of Rikers Island Prison.

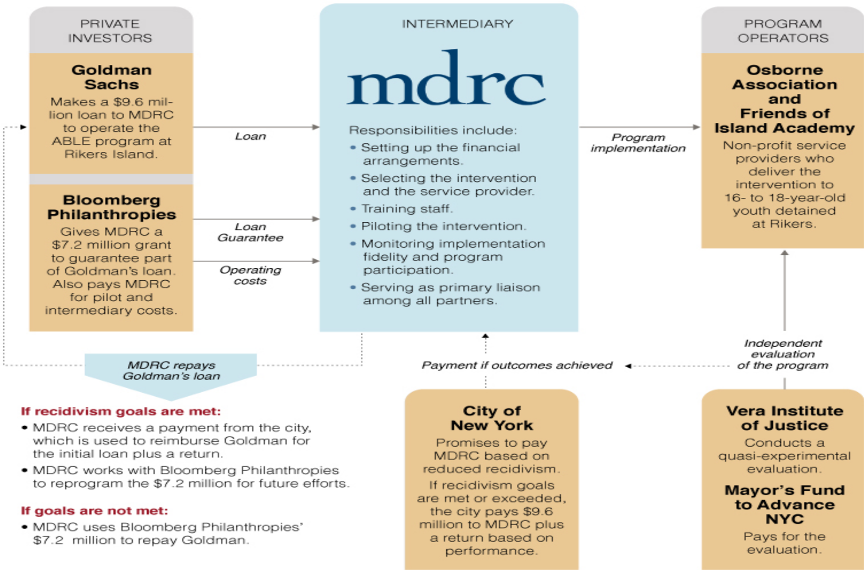
In 2012, Goldman Sachs financed the first SIB in the United States. The aim was to try to reduce the percentage of recidivism among young prisoners in Rikers Island Prison. In fact, almost half of the boys released each year from the US prison returned there for the next 12 months. An alarming fact that convinced the institutions to start a new social finance program that could partially stem the emergency of recidivism; it was therefore planned to start an important rehabilitation program for young prisoners.

In this sense, in August 2012, an SIB was designed with the aim of supporting the provision of therapeutic services to young people aged between 16 and 18 years in the New York prison.

In the American context it happened that, as we read in MDRC, a nonprofit organization, "a Social Impact Bond (SIB) encourages private investment in the scaling of evidence-based preventive services with the goal of spurring innovation and increasing accountability. Investors provide financing for federal, state, or locally-run programs with the potential to achieve savings for government budgets or returns for society at large, for example, a reduction in incarceration. If the program meets pre-established outcome goals, the government entity uses the savings to pay back investors with interest. An intermediary organization may put the pieces of a SIB together, making a match between the government and the investors and overseeing program operations. MDRC plays this role in the Adolescent Behavioral Learning Experience (ABLE), which is implementing a cognitive behavioral therapy program for youth detained at New York City's Rikers Island with the goal of reducing recidivism by at least 10 percent" (MDRC Key partners in NYC's Social Impact Bond).

A look at how the SIB is structured and key partners:

Figure no. 6. SIB structure and key partners



Source: https://www.mdrc.org/key-partners-nycs-social-impact-bond

In 2012, therefore, a program called ABLE, Adolescent Behavioral Learning Experience, was launched at Rikers Island. It was a cognitive-behavioral therapy program, implemented by a therapy program, Moral Reconation Therapy (MRT). Compared to the English model, according to what was highlighted by the Human Foundation, the figures involved were in greater numbers: the New York City Hall, the Department of Corrections, the intermediary figure of MDRC, the Goldman Sachs Bank's Urban Investment Group (UIG) , Bloonberg Ph., Osborne Ass., and the independent validation body, the Vera Institute of Justice. Unfortunately, the US attempt only partially returned the expected results.

"Financing the provision of therapeutic services to inmates at Rikers Island represented a unique opportunity to fulfill UIG's commitment to double bottom line investing by making a real difference in the lives of the adolescents imprisoned at Rikers Island while earning a modest return in line with traditional community development financing products. In addition to the social and financial returns associated with this transaction, UIG also saw it as an opportunity for Goldman Sachs to make a significant contribution to the development of a new financial instrument that has the potential to transform the way service providers, governments, and financial institutions collaborate to address pressing social issues with evidence-based interventions" (Olson and Philips, 2013: p. 97).

In a 2015 article "*Impact Evaluation of the Adolescent Behavioral Learning Experience (ABLE) Program at Rikers Island*", published on the Vera Institute of Justice website, we read the following: "the Vera Institute of Justice served as the independent evaluator of the nation's first social impact bond—an innovative form of pay-for-success contracting that leverages private funding to finance public services—to fund the Adolescent Behavioral Learning Experience (ABLE) for youth at Rikers Island. Vera employed a quasi-experimental design to determine whether participation in the ABLE program led to reductions in recidivism for youth passing through the jail. Vera determined that the program did not lead to a reduction in recidivism for program participants" (Vera Institute of Justice 2015), end the program was stopped in 2015.

The Vera Institute has published an account of the achievements achieved after the use of the ABLE project, highlighting that the program used had not returned the expected results, not having encouraged the reduction of recidivism for the subjects who had taken part in the initiative. Being a first attempt, all the involved figures knew of the risks that they would run, being an unexplored territory, but, nevertheless, the employment of the first SIB at the American juvenile prison had nevertheless opened new roads towards a different way of thinking.

In fact, "Vera determined that the program did not lead to reductions in recidivism for participants. When external factors were taken into account, the rate of recidivism for eligible 16- to 18-year-olds was statistically equivalent to the matched historical comparison cohort. The 19-year-olds and the study cohort (16- to 18-year-olds) displayed similar trends in rates of recidivism over time, indicating that any shifts were the result of factors other than the ABLE program. The program did not reduce recidivism and, therefore, did not meet the pre-defined threshold of success, a 10 percent reduction in RBDs for the study cohort" (Parsons, Weiss and Wei, 2016: p.3).

4. The experience in the European Community: the case of Lorusso-Cutugno Prison in Italian context[*]. Analysis of a specific case: SIBs and the state of play

In Italy, an experimental study conducted between 2016 and 2017 and coordinated by the doctor. F. Mento tried to demonstrate the limits and resources for the potential use of a social finance tool in the Italian prison context, chosen as an innovative experimentation laboratory in the wake of experiences experimented in other international contexts.

The initiative to experiment with social finance policies to limit the recidivism rates in a country where this problem is present has been promoted by the Human Foundation and the Development and Growth Foundation (CRT), in collaboration with the Milan Polytechnic, the University of Perugia and KPMG.

The research group[**] has developed a feasibility study entitled *"The application of Pay by Result tools for the innovation of programs for social and occupational*

[*] All the information summarized below, referring to the state of the art of the Italian situation, are taken from the Feasibility Study Report "The application of pay-by-result tools for the innovation of the social and work reintegration programs of the detainees ", Coordinated by the Human Foundation.

[**] The research group was coordinated by dr. Federico Mento of the Human Foundation. Contributors to the research: Francesca Broccia, Filippo Montesi and Elena Pons (Human Foundation); Stefano Anastasia and Francesca Sola (University of Perugia); Fania Michelucci (Polytechnic University of Milan); Cristiano Ereddia and Marco Virginillo (KPMG); Marco Camoletto and Bianca Viarizzo (CRT Development and Growth Foundation); Lawyer Antonio Finocchiaro.

reintegration of prisoners" ("*L'applicazione di strumenti Pay by Result per l'innovazione dei programmi di reinserimento sociale e lavorativo delle persone detenute*").

In the project, a non-secondary contribution was given by the Penitentiary Administration Department (DAP) and by the direct involvement of the Lorusso-Cutugno Penitentiary Institute of Turin.

In the intentions of the research group, coordinated by the Human Foundation organization, there was a willingness to experiment in the Italian context a new financial instrument, based on a PbR model already used in England in the criminal sector, with the aim of understanding if indeed, in the Italian context, this experimentation of social finance could lead to appreciable results or not, despite the numerous limitations of the country.

It was an innovative program to encourage the reintegration of prisoners in the social context, to try to reduce recidivism rates and overcrowding in the Italian context. The only way to test the benefits and the limits of this new financial instrument was to implement it starting from a concrete context such as that represented by the Penitentiary Institute Lorusso - Cutugno di Torino. A project similar to those described above, but to be realized in a context, such as the Italian one, largely different from the American and British ones.

The research team worked by relating the financial dimension with the achievement of measurable results. In the dynamic that underpins a PbR, the evaluation procedure becomes indispensable in order to determine if the original objectives have been achieved, and the role of the evaluator is bound to a series of duties and responsibilities. This dimension is also supported by the impact measurement action used by the research group, in which case, the research group considered it essential to use the Propensity Score Matching (PSM), as a tool to guarantee accuracy and rigor.

A specific step for the research group concerned the analysis of the applicability factors of the PbR tool in the Italian legal context.

Taking as reference point the report drawn up by the research group we know that also in Italy at the base of the project we find the main actors foreseen in a PbR project. Also, in this situation one or more private subjects selected by the Public Administration assumes responsibilities in the management of a project that involves the social sector, making an investment so that it reaches the provision of a social service.

As stated in the Feasibility Study (2016-17), "to finance this investment, a specialized intermediary will activate a collection of financial resources from the market that on maturity will have to be repaid by the project itself, by achieving measurable social objectives, to which financial savings are linked to the previous management" (Human Foundation - Feasibility Study, 2016-17: p. 14). In this case, the main social actors involved are: the Public Administration, which, in the case of a successful social innovation project, turns out to be the first beneficiary; in fact, it will be able to provide social and personal services by drawing on an indirect financial fund.

Through the use of PbR, the Public Administration is able to "find necessary investments without additional charges for the public budget" (Human Foundation - Feasibility Study, 2016-17: p. 15).

Another important element of triangulation is represented by the figure of private investors. These subjects become available by making available an economic and social capital necessary to carry out the social innovation project, taking charge of any financial risk. Their capital can only be recovered if the pre-established targets are achieved.

"The PbR, therefore, consists of a financing mechanism in which the return for investors is determined by the positive consequences generated by the financed social activity" (Human Foundation - Feasibility Study, 2016-17: p.16).

Other important pieces in the PbR transaction are represented by the figure of the specialized intermediary, by the technical advisor of the operation and by an eventual evaluator of the operation.

The Italian working group has worked on a sample of prisoner recipients of recovery activities within the "Lorusso-Cutugno" District House of Turin, highly studied and selected following precise survey parameters.

At the basis of the experimentation project, the research group has used a specific methodological approach useful in structuring programs and interventions, defined as the tool of Change Theory that allows to elaborate and describe its model of social intervention.

The art plan presented between 2016 and 2017 is being tested, the research group between risks and conscious limits, wanted to test the feasibility of new social finance opportunities despite the Italian context is different, in some respects, from British and US contexts.

References:

Albertson, K., Fox, C., O'Leary, C., and Painter, G. (2018) *Payment by Results and Social Impact Bonds: Outcome-based Commissioning in the USA and UK*, Bristol, UK: Policy Press.

Anders, J. and Dorsett, R. (2017a) *A review of the matching process for the impact analysis of the HMP Peterborough Social Impact Bond*, National Institute of Economic and Social Research, [online] Available: https://westminsterresearch.westminster.ac.uk/item/q2x98/a-review-of-the-matching-process-for-the-impact-analysis-of-the-hmp-peterborough-social-impact-bond [accessed 30 November 2018].

Anders, J. and Dorsett, R. (2017b) *HMP Peterborough Social Impact Bond - cohort 2 and final cohort impact evaluation,* National Institute of Economic and Social Research.

Andreuccioli, C. (a cura di) (2017) *Emergenza carceri. Tra sovraffollamento cronico, condanne CEDU e legislazione svuota-penitenziari*, [online] Available https://www.senato.it/japp/bgt/showdoc/17/DOSSIER/0/1011783/index.html?part=dossier_dossier1 [accessd13 December 2018].

A.P. (2013) *Prisoner rehabilitation The Peterborough principles*, The Economist, New York, 10 May 2013. [online] Available: https://www.economist.com/blighty/2013/05/10/the-peterborough-principles. [accessed 27 November 2018].

Arena, M., Bengo, I., Calderini M., and Chiodo, V. (2016) *Social Impact Bonds: Blockbuster or Flash in a Pan?* International Journal of Public Administration. [online] Available: https://www.researchgate.net/profile/Irene_Bengo/publication/292213225_Social_Impact_Bonds_Blockbuster_or_Flash_in_a_Pan/links/5a68f9aeaca2728d0f5e0c6b/Social-Impact-Bonds-Blockbuster-or-Flash-in-a-Pan.pdf. [accessed 17 December 2018].

BigLotteryFund (2017) *Directory of SIB Service Providers,* [online] Available: *https://www.google.com/search?client=safari&rls=en&q=big+lottary+found+and+social+impact+bond&ie=UTF-8&oe=UTF-8* [accessed 30 November 2018].

Bransden, T., Evers, A., Cattacin, S., and Zimmer, A. (2016) "*Social Innovation: A Sympathetic and Critical Interpretation.*" In Bransden, T., Cattacin, A., Evers, S. and Zimmer, A. (eds.) *Social Innovations in the Urban Context,* New York: Springer International Publishing, 3–20.

Cahalane, C. (2014) *Social Impact Bonds: is the dream over?* The Guardian, London, 1 May 2014. [online] Available: https://www.theguardian.com/voluntary-sector-network/2014/may/01/social-impact-bonds-funding-model-sibs-future. [accessed 27 November 2018].

Cave S., Williams T., Jolliffe, D., Hedderman, C. (2012) *Peterborough Social Impact Bond: an independent assessment Development of the PSM methodology,* Ministry of Justice Research Series 8/12. [online]Available:https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/217392/peterborough-social-impact-bond-assessment.pdf. [accessed 27 December 2018].

Dal Maso, D., Zanoni, D., Boccia, M. (2013) "I social impact bond. La finanza al servizio dell'innovazione sociale?", *Quaderni dell'osservatorio della Cariplo,* no. 11, 18 e ss.

Del Giudice, A. (2015) *I Social Impact Bond*, Milano: Franco Angeli.

Department for Work and Pensions (DWP) (2014a) *Innovation Fund Pilots Qualitative Evaluation: Early Implementation Findings*, [online] Available: https://www.gov.uk/government/uploads/ system/uploads/attachment data/file/329168 /if-pilots-qual-eval-report-880.pdf [accessed 9 December 2018].

Department for Work and Pension (2014b) *Social Impact Bonds Supporting vulnerable 14–16 year olds*, Social Finance Ltd, London. [online] Available: https://www.socialfinance.org.uk/sites/default/files/publications/dwp_report_final_webready.pdf. [accessed 17 December 2018].

Department for Communities and Local Government (DCLG) (2014) *Qualitative Evaluation of the London Homelessness Social Impact Bond: First Interim Report,* [online] Available: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/357785/Qualitative_Evaluation_of_the_London_Homelessness_SIB.pdf. [accessed 27 December 2018].

Department for Communities and Local Government (DCLG) (2015) *Qualitative Evaluation of the London Homelessness Social Impact Bond: Second Interim Report*, [online] Available: https://www.gov.uk/government/publications/qualitative-evaluation-of-the-london-homelessness-social-impact-bond-second-interim-report. [accessed 30 December 2018].

Department for Communities and Local Government (DCLG) (2017) *Qualitative Evaluation of the London Homelessness Social Impact Bond: Second Final Report*, [online] Available: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/658921/Qualitative_Evaluation_of_the_London_Homelessness_SIB.pdf. [accessed 20 December 2018].

Disley, E., Rubin, J., Scraggs, E., Burrowes, N. and Culley, D. M. (2011a) *Evaluation of the Social Impact Bond*, Cambridge: RAND Europe.

Disley, E., Rubin, J., Scraggs E., Burrowes, N., Culley, D. and RAND Europe (2011b) *Lessons Learned- From the Planning and Early Implementation of the Social Impact Bond at HMP Peterborough*, London: Ministry of Justice.

Disley, E. and Rubin, J. (2014) *Phase 2 Report from the Payment by Results Social Impact Bond Pilot at HMP Peterborough*, Cambridge: RAND Europe, Ministry of Justice Analytical Series, [online] Available:

http://www.ncvo.org.uk/images/documents/practical_support/public_services/social-impact-bond-hmp-peterborough.pdf.pdf [accessed 29 November 2018].

Disley, E., Giacomantonio, C., Kruithof, K., Sim., M. (2015) *The payment by results Social Impact Bond pilot at HMP*, RAND Europe, Ministry of Justice Analytical Series.

Eurosif Report (2018) *SRI Study is out!*, [online] Available: http://www.eurosif.org/eurosif-2018-sri-study-launch-event/ [accessed 27 December 2018].

Ferrara, M. (2017) "*Accelerator or Brake? The EU and the Difficult Politics of Social Investment*." In *The Uses of Social Investment*, Oxford, UK: Oxford University Press, 328–38.

Field, A. (2014) *Biggest 'Social Impact Bond' In The U.S. Targets Recidivism*. [online] Available: https://www.forbes.com/sites/annefield/2014/02/07/biggest-social-impact-bond-in-the-u-s-targets-stubborn-recidivism/#6b51212115b9 [accessed 19 December 2018].

Fox, C., and Albertson, K. (2011) "Payment by results and social impact bonds in the criminal justice sector: New challenges for the concept of evidence-based policy?" *Criminology and Criminal Justice,* 11(5), 395-413.

Fox, C., and Albertson, K. (2012) "Is payment by results the most efficient way to address the challenges faced by the criminal justice sector?", *Probation Journal*, 59(4), 355–373.

Fox, C., & Grimm, R. (2015) "The role of social innovation in criminal justice reform and the risk posed by proposed reforms in England and Wales"*, Criminology & Criminal Justice,* 15(1), 63–82.

Fraser, A., Tan S., Kruithof, K., Sim, M., Disley, E., Giacomantonio, C., Lagarde, M., Mays, N. (2018a) *Evaluation of the Social Impact Bond Trailblazers in Health and Social Care. Final Report*, Policy Innovation Research Unit, [online] Available: http://researchonline.lshtm.ac.uk/4650174/1/SIB%20Trailblazers%20Evaluation%20final%20report.pdf. [accessed 29 November 2018].

Fraser, A., Tan, S., Lagarde, M., and Mays. N. (2018b) "Narratives of Promise, Narratives of Caution: A Review of the Literature on Social Impact Bonds", *Social policy & administration*, Vol. 52, no. 1, January 2018, 4–28, or [online] Available: https://onlinelibrary.wiley.com/doi/pdf/10.1111/spol.12260 [accessed 28 November 2018].

Gagliardi, S. (2017) *Parte il primo Social Impact Bond per il welfare in Italia, l'obiettivo è diminuire la recidiva dei detenuti*, [online] Available: https://www.huffingtonpost.it/2017/06/12/parte-il-primo-social-impact-bond-per-il-welfare-in-italia-lob_a 22137567/[accessed 30 November 2018].

Gentleman, A. (2012) *Social Bond: tackling homelessness through payment by results*, The Guardian, London, 11 December 2012.

Gov.Uk , *Draft narrative for publication (to be used by both SF and MoJ) Social Impact Bond Payment by Results Pilot at HMP Peterborough.* [online] Available: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/633271/peterborough-social-impact-bond-background-information.pdf. [accessed 27 December 2018].

Gustafsson-Wright, E., Gardner, S., Putcha, V. (2015) *The potential and limitations of impact bond. Lessons from the first years of experience worldwide,* Brookings: Global Economy and Development.

Hedderman, C. (2013) "Payment by results: hopes, fears and evidence", *British Journal of Community Justice,* 11(2-3), 43-58.

Human Foundation (2016-17) *Studio di fattibilità. L'applicazione di strumenti pay by result per l'innovazione dei programmi di reinserimento sociale e lavorativo delle persone detenute*, [online] Available: http://humanfoundation.it/ita/la-fondazione/pubblicazioni/47-l-applicazione-di-strumenti-pay-by-result-per-l-innovazione-dei-programmi-di-reinserimento-sociale-e-lavorativo-delle-persone-detenute-1/file.html. [accessed 22 December 2018].

Jolliffe, D. and Hedderman, C. (2014) *Peterborough Social Impact Bond: Final Report on Cohort 1 Analysis,* Report prepared for the Ministry of Justice, University of Leicester. [online] Available https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/341684/peterborough-social-impact-bond-report.pdf. [accessed 10 December 2018].

Lehner Othmar M. and Nicholls, A. (2014) "Social finance and crowd funding for social enterprises: a public–private case study providing legitimacy and leverage", *Venture Capital*, 16:3, 271-286.

Liebman, J.B. (2011) "Social Impact Bonds: A promising new financing model to accelerate social innovation and improve government performance", *Center for American Progress*, 9.

McHugh, N., Sinclair, S., Roy, M. J., Huckfield, L., and Donaldson, C. (2013) "Social Impact Bonds: A Wolf in Sheep's Clothing?", *Journal of Poverty and Social Justice*, 21(3), 247–257.

MDRC *Key partners in NYC's Social Impact Bond*, [online] Available: https://www.mdrc.org/key-partners-nycs-social-impact-bond [accessed 29 December 2018].

MDRC (2015) *Statement on the Vera Institute's Study of the Adolescent Behavioral Learning Experience (ABLE). Program at Rikers Island (2015),* [online] Available: https://www.mdrc.org/news/announcement/mdrc-statement-vera-institute-s-study-adolescent-behavioral-learning-experience [accessed 22 December 2018].

Nicholls, A., and Tomkinson, E. (2015a) "Risk and Return in Social Finance: I am the market". In Nicholls, A., Paton, R. and Emerson, Jed (eds) *Social Finance*, Oxford: Oxford University Press, 282-310.

Nicholls, A., and Tomkinson, E. (2015b) "The Peterborough Pilot Social Impact Bond". In Nicholls A., Paton, R., and Emerson, J. (eds.) *Social Finance*, Oxford: Oxford University Press.

OECD (2014) *Social Impact Investment: Building the Evidence Base*, Paris: OECD Publishing, [online] Available: http://www.oecd.org/sti/ind/social-impact-investment.pdf. [accessed 18 December 2018]

OECD net FWD (2014) *Venture Philanthropy in Development: Dynamics, Challenges and Lessons in the Search for Greater Impact*, OECD Development Centre, Paris, [online] Available http://www.oecd.org/dev/Venture%20Philanthropy%20in%20Development-BAT-24022014. [accessed 18 December 2018].

OECD (2015) *Social Impact Bonds-Promises and Pitfalls*, Summary Report of the OECD Experts Seminar, Paris, 15 April 2015, France. [online] Available: http://www.oecd.org/cfe/leed/SIBsExpertSeminar- SummaryReport-FINAL.pdf. [accessed 20 December 2018].

OECD (2016) *Understanding social impact bond,* [online] Available: http://www.oecd.org/cfe/leed/UnderstandingSIBsLux-WorkingPaper.pdf. [accessed 30 December 2018].

O'Leary, C., Baines, S., Bailey, G., McNeil, T., Csoba, J., Sipos, F. (2018) *Innovation and social investment programs in Europe*, [online] Available: https://www.researchgate.net/publication/328390871_Innovation_and_Social_Investment_Programs_in_Europe. [accessed 30 December 2018].

Olson, J., and Phillips, A., (2013) "Rikers Island: the first Social Impact Bond in the United States", *Community Development Investment Review*, Federal Reserve Bank of San Francisco, issue 01, 97-101. [online] Available: https://www.frbsf.org/community-development/files/rikers-island-first-social-impact-bond-united-states.pdf. [accessed 30 December 2018].

Owen, R. (2017) *Our pioneering project has reoffending and paid a 3% dividend*, [online]Available: https://www.theguardian.com/public-leaders-network/2017/aug/09/social-impact-bond-reoffending dividend. [accessed 28 November 2018].

Palandjian, T., and Hughes, J. (2013) "The Social Impact Bond Market: Three Scenarios for the Future", *Stanford Social Innovation Review*.

Parsons, J., Weiss, C., Wei, Q. (2016) *Impact Evaluation of the adolescent behavioral learning experience (ABLE) program,* [online] Available: https://vera-web-assets.storage.googleapis.com/downloads/Publications/rikers-adolescent-behavioral-learning-experience-evaluation/legacy_downloads/rikers-adolescent-behavioral-learning-experience-evaluation.pdf. [accessed 29 December 2018].

Pettus, A. (2013) "Pay for progress Social Impact Bonds", *Harvard magazine*, Harvard University, [online] Available: https://harvardmagazine.com/2013/07/social-impact-bonds. [accessed 5 December 2018].

Roy, M.J., McHugh, N., Sinclair, S. (2017) *Social Impact Bonds – Evidence- Based Policy or Ideology?* in: Greve, B. (Ed.), *Handbook of Social Policy Evaluation*., Northampton, MA.: Edward Elgar Pub.

Ronicle J., Stanworth, N., Hickman E., Fox, T. (2014) *Social impact Bond: the state of play. Full report,* [online] Available: https://www.biglotteryfund.org.uk/research/social-investment/publications. [accessed 22 December 2018].

Ronicle, J., Fox, T., Stanworth, N., (2016) *Commissioning better outcomes fund evaluation. Update report for commissioners,* [online]Available https://www.biglotteryfund.org.uk/research/social-investment/publications. [accessed 20 December 2018].

Schinckus, C. (2015) "The valuation of social impact bonds: An introductory perspective with the Peterborough SIB", *Research in International Business and Finance*, Vol 35, issue C. 104-110.

Social Finance (2011) *Social Impact Bonds, the One Service, one year on: Overview of the Peterborough Social Impact Bond*.

Social Impact Bonds (2011) *The One Service. One year on,* [online] Available: https://www.socialfinance.org.uk/sites/default/files/publications/sf_peterborough_one-_year_on.pd [accessed 18 December 2018].

Social Impact Investing Taskforce (2014) *Impact investing: the Invisible Heart of Markets: Harnessing the Power of Entrepreneurship, Innovation and Capital for the Public Good*, [online] Available: http://www.socialimpactinvestment.org/ [accessed 18 December 2018].

Social Impact Investment TaskForce (2014) *La finanza che include: gli investimenti ad impatto sociale per una nuova economia. Rapporto italiano della Social Impact Investment Task Force istituita in ambito G8,* [online] Available *http://www.socialimpactagenda.it/wp-content/uploads/2016/04/La-finanza-che-include.pdf.* /[accessed 29 December 2018].

Vera Institute of Justice (2015) *Impact evaluation of the adolescent behavioral learning experience (Able) Program at Rikers island. Overview,* [online] Available: https://www.vera.org/publications/impact-evaluation-of-the-adolescent-behavioral-learning-experience-able-program-at-rikers-island.[accessed 18 December 2018].

www.infodata.ilsole24ore.com/2018/02/06/nel-68-dei-casi-detenuti-nei-carceri-tornano-delinquere.

www.rand.org/content/dam/rand/www/external/randeurope/research/projects/social-impact bonds/peterborough-social-impact-bond-1000.png [accessed 05 December 2018].