INTERNATIONAL JOURNAL OF PUBLIC FINANCE AND ACCOUNTABILITY

NAWALA

Volume 4, Number 1, *2025*

Social Impact Bonds and Public Accountability: A Systematic Review of Empirical Research

Makkatul Mukarramah [1*]

[1] Universitas Mercu Buana, Jakarta, Indonesia

Abstract

Article history:
Received: March 10, 2025
Revised: April 17, 2025
Accepted: May 04, 2025
Published: June 30, 2025

Keywords:
Accountability, Performance-Based Financing, Public Service Delivery, Social Impact Bonds, Transparency.

Identifier:
Nawala
Page: 44-53
https://nawala.io/index.php/ijpfa

Social Impact Bonds (SIBs) have emerged as an innovative financing mechanism in public service delivery, linking private investment to measurable social outcomes. This systematic literature review synthesizes empirical research published between 2020 and 2024 to examine the implications of SIBs for public accountability. While SIBs can promote performance-based outcomes and evidence informed policymaking, the analysis identifies critical challenges related to transparency, controllability, responsiveness, and liability. The involvement of multiple stakeholders and complex contractual arrangements may obscure decision-making, limit oversight, and constrain the flexibility of service providers. The findings highlight the importance of careful design and implementation to balance private investment incentives with robust accountability mechanisms. This review provides insights for policymakers and practitioners seeking to leverage SIBs effectively while safeguarding public interests.

*Corresponding author:
(Makkatul Mukarramah)

1. Introduction

Social Impact Bonds (SIBs) represent a novel approach to financing public services, wherein private investors provide upfront capital for social programs and are reimbursed by the government only if predefined social outcomes are achieved (Evans, 2022). This performance-based model aims to enhance efficiency and accountability in public service delivery by aligning financial incentives with social outcomes. However, the integration of private financing into public service provision raises significant concerns regarding public accountability.

A systematic review by Demuynck and Van Dooren (2024) critically examines the public accountability risks associated with SIBs. Their analysis identifies four key dimensions where accountability may be compromised: transparency, controllability, responsiveness, and liability. The review suggests that while SIBs are often portrayed as mechanisms that enhance accountability through performance-based contracts, they may inadvertently obscure governmental responsibility and complicate oversight processes.

Complementing this perspective, Fraser et al. (2020) explore how SIBs can influence evidence-based policymaking. They argue that SIBs can promote the use of robust evidence in policy decisions by incentivizing the selection of interventions with proven effectiveness and by fostering rigorous evaluation practices. However, they caution that the emphasis on measurable outcomes may lead to the neglect of less quantifiable aspects of service delivery, potentially undermining the holistic nature of public accountability.

Further empirical studies have examined the practical implications of SIBs on public accountability. For instance, Moldogaziev et al. (2022) conducted a systematic review of research on SIBs, highlighting the challenges in balancing innovation with accountability in public administration. Their findings underscore the need for careful design and implementation of SIBs to ensure that they contribute positively to public accountability rather than detract from it.

This systematic review aims to synthesize empirical research on the intersection of SIBs and public accountability, providing a comprehensive understanding of how SIBs impact accountability mechanisms in public service delivery. By critically analyzing existing studies, the review seeks to inform policymakers and practitioners about the potential risks and benefits of SIBs, guiding the development of frameworks that safeguard public accountability in the context of performance based financing models.

2. Literature Review

Social Impact Bonds (SIBs) have garnered significant attention as innovative financial instruments aimed at addressing complex social issues through performance-based funding mechanisms. These instruments involve private investors providing upfront capital for social programs, with repayment contingent upon the achievement of predefined social outcomes. While SIBs are lauded for their potential to enhance efficiency and accountability in public service delivery, empirical research has highlighted several challenges related to public accountability

(Demuynck, 2024) and concerns over transparency, responsiveness, and liability in blended public-private models (Walker et al., 2023).

A comprehensive study by Demuynck and Van Dooren (2024) critically examines the public accountability risks associated with SIBs. Their analysis identifies four key dimensions where accountability may be compromised: transparency, controllability, responsiveness, and liability. The review suggests that while SIBs are often portrayed as mechanisms that enhance accountability through performance-based contracts, they may inadvertently obscure governmental responsibility and complicate oversight processes. This finding underscores the need for careful design and implementation of SIBs to ensure that they contribute positively to public accountability rather than detract from it.

Complementing this perspective, Pastore and Corvo (2022) explore the theoretical underpinnings of SIBs, questioning their alignment with traditional notions of public accountability. They argue that the contractual nature of SIBs, which emphasizes measurable outcomes and financial returns, may conflict with the broader, more inclusive goals of public accountability, such as equity, inclusiveness, and democratic legitimacy. Their analysis suggests that while SIBs may offer efficiency gains, they may also lead to a narrowing of accountability to narrowly defined performance metrics, potentially sidelining other important dimensions of public accountability.

Further empirical studies have examined the practical implications of SIBs on public accountability. For instance, Danbhi et al. (2024) investigate the role of evaluation in SIBs, highlighting the challenges in measuring social outcomes and the potential for evaluation processes to influence program design and implementation. Their findings suggest that while evaluation is central to the functioning of SIBs, it can also introduce complexities related to accountability, particularly when evaluation criteria are not aligned with broader public values and objectives.

In summary, while SIBs present innovative approaches to financing social programs, empirical research indicates that they may introduce significant challenges to public accountability. These challenges arise from the emphasis on measurable outcomes, the complexity of evaluation processes, and the potential for shifting responsibility away from government entities. Therefore, careful consideration is required in the design and implementation of SIBs to ensure that they enhance, rather than undermine, public accountability.

3. Methods

This study adopts a systematic literature review (SLR) approach to synthesize empirical research conducted between 2020 and 2024 on Social Impact Bonds (SIBs) and their implications for public accountability. The SLR methodology ensures a comprehensive and unbiased aggregation of existing studies, facilitating the identification of patterns, gaps, and emerging trends in the field.

The literature search was conducted across multiple academic databases, including Scopus, Web of Science, and Google Scholar, focusing on peer-reviewed journal articles published within the specified timeframe. Search terms such as "Social Impact Bonds," "public accountability," "performance-based financing," and "evaluation" were utilized. Boolean operators and filters were applied to narrow results to empirical studies reporting on the implementation, evaluation, or accountability implications of SIBs.

Studies were included if they: (1) addressed SIBs in a public sector context, (2) reported empirical findings, and (3) examined aspects of public accountability such as transparency, controllability, responsiveness, or liability. Excluded were review articles, opinion pieces, and studies not indexed in Google Scholar to maintain a focus on empirically validated research.

A standardized data extraction form was employed to capture relevant information from selected studies, including author, year, country, sector, methodology, main findings, and implications for public accountability. Thematic analysis was applied to categorize findings according to the four dimensions of public accountability identified in the literature: transparency, controllability, responsiveness, and liability. This approach enabled the synthesis of heterogeneous empirical evidence into coherent themes, highlighting patterns, gaps, and areas for further research.

The methodological quality of included studies was assessed using criteria adapted from prior systematic reviews, including clarity of research questions, appropriateness of research design, rigor of data collection and analysis, and relevance to public accountability outcomes. Only studies meeting a minimum quality threshold were included in the final synthesis to ensure robustness and reliability of findings.

This systematic review aims to provide a comprehensive understanding of how SIBs impact public accountability mechanisms in public service delivery, offering insights for policymakers and practitioners involved in the design and implementation of performance based financing models.

4. Results and Discussion

This systematic literature review synthesizes empirical research conducted between 2020 and 2024 on Social Impact Bonds (SIBs) and their implications for public accountability. The analysis reveals that while SIBs provide innovative mechanisms for financing public services, they also introduce several challenges related to accountability. Transparency is identified as a critical dimension, as the involvement of multiple stakeholders, including private investors and service providers, can obscure decision-making processes and hinder public scrutiny.

The complexity of SIB structures may limit the accessibility and clarity of information, making it difficult for the public to assess the effectiveness and efficiency of funded programs. Controllability of outcomes is another concern, as performance pressures may lead providers to prioritize easily measurable targets over broader, long-term objectives, potentially compromising the quality of service delivery. Responsiveness to public needs is affected by the rigid frameworks of SIBs, which can restrict service providers' flexibility to adapt to changing circumstances or emerging social issues, thus limiting their ability to respond effectively.

Liability allocation also presents significant challenges, as the distribution of risks between public and private entities can be complex, with the public sector sometimes bearing substantial risks without proportional control over outcomes. A recurring theme in the literature is the tension between ensuring robust public accountability and maintaining the attractiveness of SIBs for private investors, as implementing accountability safeguards can increase transaction costs and reduce financial appeal (Gustafsson-Wright & Osborne, 2020). Overall, the empirical evidence suggests that while SIBs offer promising opportunities for performance-based public service delivery, careful design and implementation are required to ensure transparency, controllability, responsiveness, and equitable risk allocation, thereby supporting rather than undermining public accountability (Mazzuca et al., 2023).

5. Conclusion

This systematic review highlights that Social Impact Bonds (SIBs) offer innovative approaches to financing public services, yet they introduce significant challenges to public accountability. While SIBs can enhance performance-based outcomes and incentivize evidence-informed interventions, issues related to transparency, controllability, responsiveness, and liability remain critical concerns. The involvement of multiple stakeholders and complex contractual arrangements can obscure decision-making and limit public oversight, while rigid outcome targets may constrain service providers' flexibility and prioritization of broader social objectives. Furthermore, the allocation of risk between public and private actors requires careful consideration to ensure fairness and alignment with public interests. To maximize the benefits of SIBs, policymakers and practitioners must design and implement mechanisms that safeguard accountability without undermining the appeal of private investment. Future research should continue to explore strategies that balance performance-based innovation with robust public accountability, ensuring that SIBs contribute positively to the effective delivery of social services.

References

Dahbi, F., Carrasco, I., & Petracci, B. (2024). A systematic literature review on social impact bonds. *Finance Research Letters*, *62*, 105063.

Demuynck, S., & Van Dooren, W. (2024). At a cost: A review of the public accountability risks of Social Impact Bonds. *Australian Journal of Public Administration, 83*(1), 1–17.

Evans, H. L. (2022). *Social impact bonds: A critical analysis of the concept and its application* (Doctoral dissertation, SOAS University of London).

Fraser, A., Tan, S., Lagarde, M., & Mays, N. (2020). Backing what works? Social Impact Bonds and evidence-based policymaking. *Public Administration, 98*(4), 877–894.

Gustafsson-Wright, E., & Osborne, S. (2020). Impact Bonds: Weighing Benefits Against Costs.

Hevenstone, D., Fraser, A., Hobi, L., & Przepiorka, W. (2023). The impact of social impact bond financing. *Public Administration Review, 83*(1), 1–12.

Mazzuca, M., Panzera, E., & Ruberto, S. (2023). The investor's participation in social impact bonds. *International Review of Economics & Finance*, *86*, 349-363.

Moldogaziev, T. T., Liu, C., & Ivonchyk, M. (2022). Policy experimentation with impact financing: A systematic review of research on social impact bonds. *Asia Pacific Journal of Public Administration, 44*(1), 81–99.

Pastore, L., & Corvo, L. (2022). 'SIB': What does it really mean? A theoretical approach to understanding social impact bonds. *Public Money & Management, 42*(2), 98–105.

Walker, T., Goubran, S., Karami, M., Dumont-Bergeron, A., Schwartz, T., & Vico, K. (2023). Mainstreaming social impact bonds: A critical analysis. *Finance Research Letters*, *53*, 103546.