



Profiting from community needs: Social services and the threat of social impact bonds

Social services are invaluable to the health and well-being of our communities.

Governments provide funding directly to social services agencies to help people in the community. Agencies do that in many ways, including improved literacy rates, better health outcomes, and fewer people in prison.

Social service providers often have deep roots in the community. Agencies are staffed by experienced and dedicated workers, and can take a long-term approach to addressing systemic issues like poverty, colonialism, and racism.

This public model is efficient. It ensures services

meet changing community needs, and are accountable and responsive. All public dollars go to service delivery.

Unfortunately, governments often decide to underfund social services. This can open the door to privatization. Social impact bonds (SIBs) are a new form of privatization that allow private investors to profit from social services.

In a SIB, private investors provide up-front money for social programs, but expect to make a profit. The investor could be a bank, insurance company, foundation or even a group of for-profit

corporations.

The government often hires a private consultant to broker a deal between private investors, government and social service providers. These consultants

get paid with money that could otherwise be going directly to social services. The consultant and/or government chooses a non-profit that is most likely to meet short-term targets, rather than longer-term community needs. The targets are negotiated by the consultant, for-profit corporation and government.

Meeting the targets means the private investors make a profit. After all this, the service is



provided. The non-profit eventually reports back to the consultant or a hired evaluator to measure its success. Success is determined based on targets that dictate how much investors will profit. If specific targets are met, the government pays back the investor – with a profit. The private consultants also get paid.

This is wrong. Public money that should go directly to providing social services is diverted instead to private profit.

There’s no room for profit in our community social services.





Services for people: how social services work today

1. The government sees people needing support.
2. The government funds a non-profit service agency that can help.
3. The non-profit supports people in the community.
4. The non-profit reports to the community and the government.



Services for profit: how social impact bonds work

1. A for-profit corporation looks for investment opportunities.
The government sees people needing support.
2. The government hires a consultant, and may also hire an evaluator.
The government, consultants and corporation decide who they will help.
3. A non-profit service agency is chosen.
4. The corporation provides the agency funding, but expects a profit.
5. The government, consultant and corporation set targets for the agency to meet. The targets influence which community members get support, and how it is provided.
6. The non-profit agency supports people in the community.
7. The non-profit agency reports to the consultant, or an evaluator.
8. If targets are met government pays the corporation back its investment plus a profit.

