TOP 10 REASONS TO WORRY ABOUT

Social Impact Bonds

Scam # 3338

NUPGE
CANADA

Social Impact Bonds don't work. They are like every other 'magical solution' governments dream up to deal with deficits. They are scams.

Like other privatization schemes, they are intended to help governments shift costs off their balance sheets. The "magic solution" this time is to allow the private sector to run services to make profits for investors.

Services being targeted include: developmental services; homelessness; supports for people with developmental disabilities; mental health; justice and corrections; and public health.

Here are the top 10 reasons you should be concerned about this latest privatization scheme known as Social Impact Bonds.

10. There's no proof they even work

In spite of all the hype, there are only two projects up and running around the world. Neither are far enough along to determine whether these risky schemes even work. With that kind of track record, what could possibly go wrong?

9. They allow governments to hide debt and pass costs on to future generations

Along with Public Private Partnerships (P3's), Social Impact Bonds are a bit like money laundering because they allow politicians to hide debt.

Social Impact Bonds are just another "buy now, pay later" scheme for governments to borrow money and pretend it isn't debt. Auditors are now exposing the P3 budget shell game. But Social Impact Bonds provide governments with a new way to repeat that shell game and put more debt into the backpacks of future generations.

8. Setting up Social Impact Bonds is complex and costly

Getting agreement between the private investors and the government for the first Social Impact Bond was described by sources as "a time-consuming and analytically complex process," even though it was for a relatively simple project. Detailed agreements involving millions of dollars attract expensive corporate lawyers and accountants. While many amazing things have been achieved in our life times, no one has figured out how to bring a lot of corporate lawyers and accountants together without it becoming complex and costly.

7. Governments end up paying no matter what

Just like P3's, it's being claimed that Social Impact Bonds transfer the risk from governments to investors. And just like P3's, it's safe to assume governments will be on the hook no matter what happens. Investors are only going to put money into Social Impact Bond projects that guarantee them a profitable return on their investment. And if something does go wrong, while the private sector may not do a good job of delivering public services, they are very good at negotiating contracts that give them plenty of wiggle room.

6. They undermine community agencies and charities

Decisions about how Social Impact Bond projects will be run are made by an intermediary organization whose first priority is to make money for investors. Community agencies and charities that now have some flexibility to innovate or deliver services in ways that best meet the needs of vulnerable families and communities will find their role reduced to that of a sub-contractor with no flexibility.

5. They provide a smoke screen for cuts to public services

Around the world, the governments most enthusiastic about Social Impact Bonds are those whose usual approach to social services involves a chainsaw. Funding from Social Impact Bonds is only a small fraction of what is being cut, but you'd never know it listening to cabinet ministers talking about them. These politicians hope the hype around Social Impact Bonds will hide the fact that cuts to social services are leaving vulnerable people with nowhere to go for help.

4. Investor profits and extra bureaucracy push up costs

The intermediary organizations setting up and running Social Impact Bonds add a new layer of bureaucracy to delivering public services. Those investing in Social Impact Bonds are being promised a return of up to 12% a year. These are costs we don't have to pay when services are publicly provided.

3. Services are no longer accountable or transparent to the public

With Social Impact Bonds the public loses the right to find out how services are being run and the ability to hold the funders and deliverers accountable. Decisions are made by intermediary organizations who have a legal obligation to put investors' interests first. If there are problems with how the organization is delivering services, unfortunately there's nothing that clients, workers or the community can do.

2. Quality and continuity of services suffer

Those pushing Social Impact Bonds expect us to believe that kindly corporations will invest the money needed to provide services and be more concerned about helping those in need than making money.

The reality is the intermediary organizations running Social Impact Bond projects are legally required to put investor profits first. Serving the public cannot be their top priority. That means quality will suffer. Lack of continuity will also be a problem. Social Impact Bonds are usually a 5-year commitment. People will be left high and dry when funding ends.

1. Investor profits are incompatible with universal programs that provide a safety net for all

Social services are meant to provide a safety net that is there for everyone. They are how we take care of each other. If services are only provided when there is a guarantee investors will make big profits, we will lose that safety net. People who are deemed too difficult and expensive to help (some of the most vulnerable people in our communities) will be excluded from Social Impact Bond projects and will get no help at all.

SOCIAL IMPACT BONDS

For more information about Social Impact Bonds go to

www.nupge.ca/issues/social-impact-bonds

OTHER NEW FORMS OF PRIVATIZATION

For more information about other new forms of privatization go to

alltogethernow.nupge.ca/privatization

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