Social impact bonds: Cleared for landing in British Columbia [1]

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Excerpt from the report:

In May of 2012, the BC government passed a series of changes to the province's corporation law that allowed for creation of a new hybrid legal entity - the Community Contribution Corporation or C3. Given royal assent in June of 2013, the changes are expected to lead to the creation of new profit-oriented organizations in a range of service areas long known for either their public or non-profit orientation. To one commentator, C3s will,

> "respond to the demand for socially focused investment options... C3s will be able to carry on business for the dual purpose of both earning profits for shareholders and pursuing a social purpose for the community."

Elsewhere, this approach to service delivery has been given the name of Social Impact Bonds or SIBs. BC is not alone in its interest in and promotion of SIBs. SIBs are currently under active consideration in a number of other Canadian jurisdictions including Alberta, Ontario, Nova Scotia and New Brunswick. The federal government is also using its control over funding streams to influence the movement of social policy initiatives in this direction, in ways similar to past support for public-private partnerships or P3s.

What exactly are social impact bonds and how are they organized? SIBs are a relatively new model of privatized services. They represent one variant of a market-driven investment approach that seeks to remove government from having an active role in delivering services to people. One analyst describes the operation of SIBs in this way,

> "Under the social impact bond model, a government contracts with a private sector financing intermediary we'll call a "social impact bond-issuing organization," or SIBIO, to obtain social services. The government pays the SIBIO entirely or almost entirely based upon achieving performance targets. If the bond-issuing organization fails to achieve the targets, the government does not pay. In some cases, the government payments may be calculated as a function of government cost-savings attributable to the program's success."

The phrase "social impact" comes from the model's focus on measurable outcomes. Use of the term "bond" is however misleading. Bonds are debt instruments where the issuer pays interest over a fixed term to a lender before returning the principal once the term is complete. SIBs are not bonds in this traditional sense. They are, as Dexter Whitfield suggests, more of a venture capitalist model applied to the area of social, health and educational service delivery. Unlike bonds, there is significant "performance risk" attached to the model. When and if projects fail to deliver on pre-agreed outcomes investors stand to lose their initial investment.

More importantly, social impact bonds transfer control of financing, service delivery and follow-up evaluation over to the private sector. Seen in this light, SIBs are a new approach to privatization that financializes public service delivery on the basis of profit generation. Because government's role is effectively reduced to paying costs when contract terms are fulfilled, the model effectively outsources not only service delivery but also key elements of policy development, implementation and assessment.

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Early childhood education - given recent experiences in the UK and the USA, SIBs may have a future in the field of early childhood education. Many years ago, the Ministry of Education modified its core mandate to include provision of services in this area. Since that time, ECE programming in the school system has centred on the Ministry's flagship Strong Start program for pre-school children. Despite continued growth in and Ministry commitment to the program, there has been reluctance on the part of government to see Strong Start fully integrated into the mainstream of public school service delivery. Such reluctance could predispose the Ministry to increased interest

in a social investment model like SIBs to consolidate delivery of services in the future.
Related link: Warner, M. (2012). "Profiting from public value? The case of Social Impact Bonds" [3]
Region: British Columbia [4]
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Links
[1] https://childcarecanada.org/documents/research-policy-practice/14/04/social-impact-bonds-cleared-landing-british-columbia [2] https://archive.cupe.ca/updir/Research_note-_SIBs_come_to_BC.pdf [3] https://childcarecanada.org/documents/research-policy-practice/12/11/profiting-public-value-case-social-impact-bonds [4] https://childcarecanada.org/taxonomy/term/7860 [5] https://childcarecanada.org/category/tags/privatization