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Opinion

To SIB or not to SIB: how Social Impact Bonds could help

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Are Social Impact Bonds (SIBs) a new and useful way to finance development of solutions to social problems, or a dubious scheme to privatize public services while enabling investors to make a profit from helping the poor?

SIBs bring together governments, investors and service-delivery organizations to test the effectiveness of prevention-focused solutions to pressing social challenges. Since their introduction in 2010 in Britain, 120 SIBs have been launched in 15 countries, addressing such issues as homelessness, youth unemployment and chronic disease prevention.

They work like this: government identifies a problem and a desired outcome and selects a service provider to achieve targeted improvement in outcome and apply innovative approaches to delivering that result. Foundations or private investors provide the capital for the service provider to carry out the work, and if targets are met, government repays their investment, plus interest; if targets are not met, interest and part of the capital are forfeited.

The first SIB in Canada was launched in Saskatchewan in 2014, to improve outcomes for 22 children and their single-parent mothers by providing safe shelter, along with parenting skills and assistance in securing employment. By enabling the children to stay with their mothers and out of foster care, the province expects to save between $540,000 and $1.5 million over five years. When improved health, lower costs to the justice system and reduced social assistance payments are factored in, potential savings are even greater. Early results indicate that the project is on track.