July 24, 2020

The Honourable Ahmed Hussen, P.C., M.P.
Minister of Families, Children and Social Development
House of Commons
Ottawa, ON K1A 0A9

Dear Minister Hussen:

Re : Social Finance Fund

The income security programs introduced by the federal government have played a vital role in ensuring that Canadians who were laid off or had their hours cut as a result of the COVID-19 pandemic were able to get by. In turn that helped ensure there was support for the measures necessary to slow the spread of COVID-19.

It is also worth noting that many of the measures represented a dramatic shift in thinking. The measures that were taken addressed weaknesses in federal programs like Employment Insurance that were the result of decades of cuts and austerity.

Your government deserves a lot of credit for these programs, particularly given what happened elsewhere.

For that reason, media reports this week on plans for the Social Finance Fund were particularly disappointing. Based on what was reported, it appears that the Social Finance Fund will be used to encourage private investment in the type of services that have traditionally been publicly funded. That means that the fund is being turned into a subsidy to encourage the privatization of community and social services.

The claim that using social finance to fund community and social services isn't privatization ignores what happens in practice. When funding for social or community services comes in the form of investments, investors will expect to have some control over those services. At the same time, organizations delivering social and community services know that, to continue to receive funding from investors, their priority has to change from meeting the needs of the people they are supposed to be serving to generating returns for investors.

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Using social finance to fund social and community services also increases the cost of delivering services. The administrative costs associated with social impact bonds, the best known method of using social finance to fund services, are considerable. In a federal government pilot project to use social finance to fund basic skills training, at least 60% of the funding went towards overhead and administration.

Community and social services are already underfunded. At all levels of government, funding for community and social services has failed to keep pace with inflation and population growth. In many cases, services are only functioning because of the dedication and sacrifices of front-line workers. Using social finance schemes like social impact bonds to privatize community and social services means that funding that is desperately needed to help the most vulnerable people in our communities will end up in the pockets of lawyers, consultants, and other intermediaries.

Like any form of privatization, using social finance to privatize community and social services also undermines accountability and transparency. The attempt to privatize the Canada Student Service Grant by having the WE Charity deliver illustrates some of the issues that can arise.

The federal government does have a responsibility to support community and social services, but it is not possible to meet that responsibility by trying to use social finance as a privatization scheme. Instead, it is time to start to undo the impact of decades of years of underfunding and provide community and social services with the sustainable, long-term funding that they need to meet the needs of Canadians. And support for social finance should be aimed at allowing it to achieve its original goal – supporting community economic development.

Sincerely,

Larry Brown
President

cc: Bert Blundon, Secretary-Treasurer
National Executive Board