

Finding the right developmental instrument for the social sector.

It is now widely acknowledged that the Voluntary Sector including the Social Economy are in difficult financial circumstances.

- Almost all funders have shifted from unconditional funding to highly conditional grants, contracts, sponsorships, or contributions. This includes governments, foundations, and corporate donors.
- Living off project-based funding has forced the sector to invest scarce resources in fund raising and has seriously undermined their core infrastructure -- core staff, technology, and fixed assets. Many have had to give up the person who coordinates volunteers, for example, which erodes their ability to recruit and train volunteers and to get best value from what they can offer.
- Banks and credit unions do not serve the unique needs of the sector well. They are treated as small businesses are. There are instances of nonprofits with valuable properties which they have been unable to mortgage because of their charitable status (St. Christopher House). Others who have a track record of successful social housing projects, are unable to get a construction loan to build a new project.
- The sector has financial assets of \$6 billion but is unable to lever that financial base.
- 53 % of the charitable organizations in Canada employ fewer than 5 people, and 14 % employ less than 20. (CPRN document attached.)
- The government of Canada is under increasing pressure to "do something" to overcome this financial insecurity and to enable the magnificent entrepreneurial talent in the sector to undertake much needed social development. These pressures come from
 - Social economy organizations in Quebec, who need equity capital to grow their businesses
 - Community service organizations in Quebec and the rest of Canada who have no "earned income", and who are excessively dependent on project funding
 - Others to be defined

Considerations

- The sector itself needs to develop stronger skills in proposal writing, strategic planning, and business planning. Even the best of them have considerable difficulty navigating the application requirements of governments, banks and others. Given the small size of most organizations and the modest size of their capital requirements, the instruments adopted will need to be sensitive to this problem.
- The size and scope of the financial needs vary from very small e.g. \$5000 to very large \$ 50 million.
- A key objective for the government is to foster innovation, develop missing skills, and strengthen the sector over time.
- Existing federal instruments -- grants and contributions are not suitable. And government decision-making processes are not amenable to the task.

An innovation strategy for social development

- The government should create a block of funding designated for social development and sector innovation. "The Social Innovation Fund"

- The funding should be delegated to a new foundation or agency, with a mandate to develop the appropriate instruments, criteria, etc
 - The Canada Foundation for Innovation could be a model
- Leaders from the sector should have a role in this new organization, but the CEO and the Board should be selected to ensure a strong mix of business and financial skills.
- The Social Innovation Fund mandate should require:
 - Development of a new approach and new financial instruments to funding social innovations and social development in Canada
 - Training and development grants to ensure the sector is able build its skills in strategic planning. This would include staff training.
 - Fostering the creation of new civil society organizations with a capacity to serve the ongoing financial needs of the sector.
 - Advice to government on reforms to its grant and contribution in support of greater financial security for the sector
- The sector is also in need of a stronger research base.
 - StatCan undertakes further data development in partnership with the sector.
 - Funding is available to voluntary sector organizations to
 - Do research on the sector as a sector to build up the knowledge base
 - Do research on their own activities to determine what works etc in support of their own strategic planning (and for learning in the sector)
 - Do research on techniques for measuring outcomes/results and building accountability systems in the sector, so that orgnizations can document what they are accomplishing.

The end goal is to create an organization which can establish an objective, predictable, merit-based approach to funding the development of the sector over the long-term. The institution must be national, but clearly would have a mandate to support the unique qualities of the sector as they are expressed in the different regions of the country.