Fostering Social Innovation

November 26, 2004 – If necessity is the mother of invention, it should be no surprise that community organizations are terrific sources of social innovation.

Social innovation involves more efficient, effective and imaginative ways of responding to the social and economic challenges faced by Canada's communities. And the non-profit sector is very good at delivering it.

Non-profits operate close to the ground, with deep knowledge of their communities, hands-on experience and a holistic approach that transcends artificial bureaucratic barriers. Non-profits brought us our first schools, post-secondary institutions, hospitals, the wheat pool and credit unions. Their innovations continue to benefit the well-being of Canadians directly.

But that innovative capacity is at risk today. Just when demands on non-profits are rising, and governments increasingly rely on them for delivering services and finding place-based solutions to community problems, the sector's ability to respond is being undermined by a misguided funding regime.

A new report from Canadian Policy Research Networks calls for a new framework for support to this vital sector. ***Social Innovation in Canada***, by Mark Goldenberg, a former federal assistant deputy minister who worked on social and labour market policy, examines the role of the non-profit sector in social innovation and what needs to be done to make the most of it.

Goldenberg explains why non-profit organizations are so innovative, and why they have become such a critical vehicle for well-being – because they deliver services that neither the state or the private sector can or will provide as effectively and efficiently, because of their holistic approach and "place-specific" policies and services, and because of their ability to foster social capital and active citizenship.

"But this tremendous capacity for innovation is threatened by a funding approach that is project-based, ignores infrastructure, overhead and administrative costs, provides no support to capacity building, and imposes unrealistic burdens in terms of paperwork," says Goldenberg. "Small organizations, which are the vast majority of non-profits, are particularly disadvantaged."

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Goldenberg suggests a new framework for supporting the sector. It has three dimensions:

- Getting the underlying financial structure right, including more stable, multi-year funding and recognizing the true cost of "doing business".
- Ensuring access to a healthy mix of funding types, including better access to capital financing and support for start-up costs and for capacity-building, to reflect differing needs across the sector.
- Putting in place an accountability regime that demonstrates efficient use and effective results, without imposing an unreasonable burden or draining resources.

"What the sector is calling for, first and foremost, is not more money, but "better money" and smarter funding," Goldenberg says. "This is the key to freeing its creative potential for the well-being of Canadians."

CPRN is also releasing a report today on the results of a roundtable, held with the financial support of Social Development Canada, to discuss the Goldenberg paper and to develop a future vision and action plan for social innovation. ***The Future of Social Innovation in Canada*** presents the views of participants from all parts of the non-profit sector, from all levels of government, foundations and from the research community.

Among other things, participants called for:

- efforts by government and other funders, and within organizations, to foster a culture of risk-taking and innovation;
- increased delegation of authority by government to local decision-makers;
- regulatory reform and creative uses of the tax system to support social innovation;
- new financing instruments and mechanisms to encourage and leverage support from a variety of sources and in different forms;
- an improved contracting regime and a results-based accountability framework;
- new mechanisms to enable the sector to better collaborate, share information and knowledge and speak at the local, provincial/territorial and national levels;
- research on the process of social innovation, on innovative funding mechanisms in and beyond government, and on measuring the value-added of the non-profit sector.

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