



Action Plan Recommendations to Maximize Social Innovation in British Columbia

March 2012

BC Social Innovation Council



The BC Social Innovation Council was established in January 2011 by Gordon Hogg, Parliamentary Secretary for Non-Profit Partnerships to the Minister of Social Development Stephanie Cadieux, to assist the BC government in seeking new and innovative ways to help BC communities tackle the most intractable social challenges of the day. The Council is drawn from government, Aboriginal and community organisations, and business agencies with an interest in social entrepreneurship, including credit unions, foundations, academics, local and/or provincial government, business, investors, social entrepreneurs and innovators.

We focused on supporting initiatives that develop the social finance and enterprise marketplace, encourage greater collaboration across sectors and improve BC's ability to solve its social challenges. There is still a need to build a strong base of support among stakeholders, including the government, community, and private sector to shape this new agenda. This report is meant to be the next step in moving BC in that direction.

The British Columbia Social Innovation Council
(Bios at socialinnovationbc.ca)

Janice Abbott, Atira Women's Resource Society

Janet Austin, YWCA of Vancouver

Jennifer Charlesworth, Federation of
Community Social Services of BC

Al Etmanski, Council Co-Chair
Social Innovation Generation and Planned
Lifetime Advocacy Network

Jim Fletcher, Council Co-Chair
BC Social Venture Partners

Molly Harrington, Council Co-Chair
Ministry of Social Development

Bill Glackman, Simon Fraser University

Ida Goodreau, University of British Columbia

Murry Krause, Central Interior
Native Health Society

Paul Lacerte, BC Association of Aboriginal
Friendship Centres

Alison Lawton, Mindset Foundation

David LePage, Enterprising Non-Profits

Margaret Mason, Bull, Housser & Tupper

Linda Morris, Vancouver City Savings
Credit Union

John Restakis, BC Co-operative Association

James Tansey, University of British Columbia

Faye Wightman, Vancouver Foundation

Introduction

The BC Social Innovation Council (the Council) was appointed in January 2011 to make recommendations to the Parliamentary Secretary for Non-Profit Partnerships and the Minister of Social Development, “on how best to maximize social innovation in British Columbia, with an emphasis on social finance and social enterprise.”

Our mandate was to chart out a course of action for British Columbia that sparks action now, while providing the foundations for others to build on in the longer term. We believe there is great promise in the fields of social innovation, social enterprise and social finance. We see social innovation as a means to achieve better results, deliver more effective solutions and to lower the human and financial costs of our social and environmental problems.

These recommendations should be read in conjunction with three other documents, which are available on the Council website – socialinnovationbc.ca.

The first document, *Taking Care*, was a trigger paper prepared in preparation for the Council’s two day retreat in June 2011. The defining question for this retreat was:

How can we use social innovation (and its corresponding tools of social enterprise, social media, open source, smart collaborative networks and social finance) to enable a resilient British Columbia in 2020?

The recommendations that arose from that session formed the basis of an interim report, and the second document, *Together: Respecting the Future*, released in November 2011 at the Social Innovation Summit in Vancouver.

The third document is a *Social Innovation Primer* that provides an introduction to the concept and examples from across Canada.

We are grateful for the feedback received from individuals and organisations in the community and the non-profit sector as well as youth, academic, business and government stakeholders. Many suggestions have been incorporated, either in specific recommendations or into the mandate of Partners for Social Impact, the forum we recommend succeed the Council. (see Recommendation # 11)

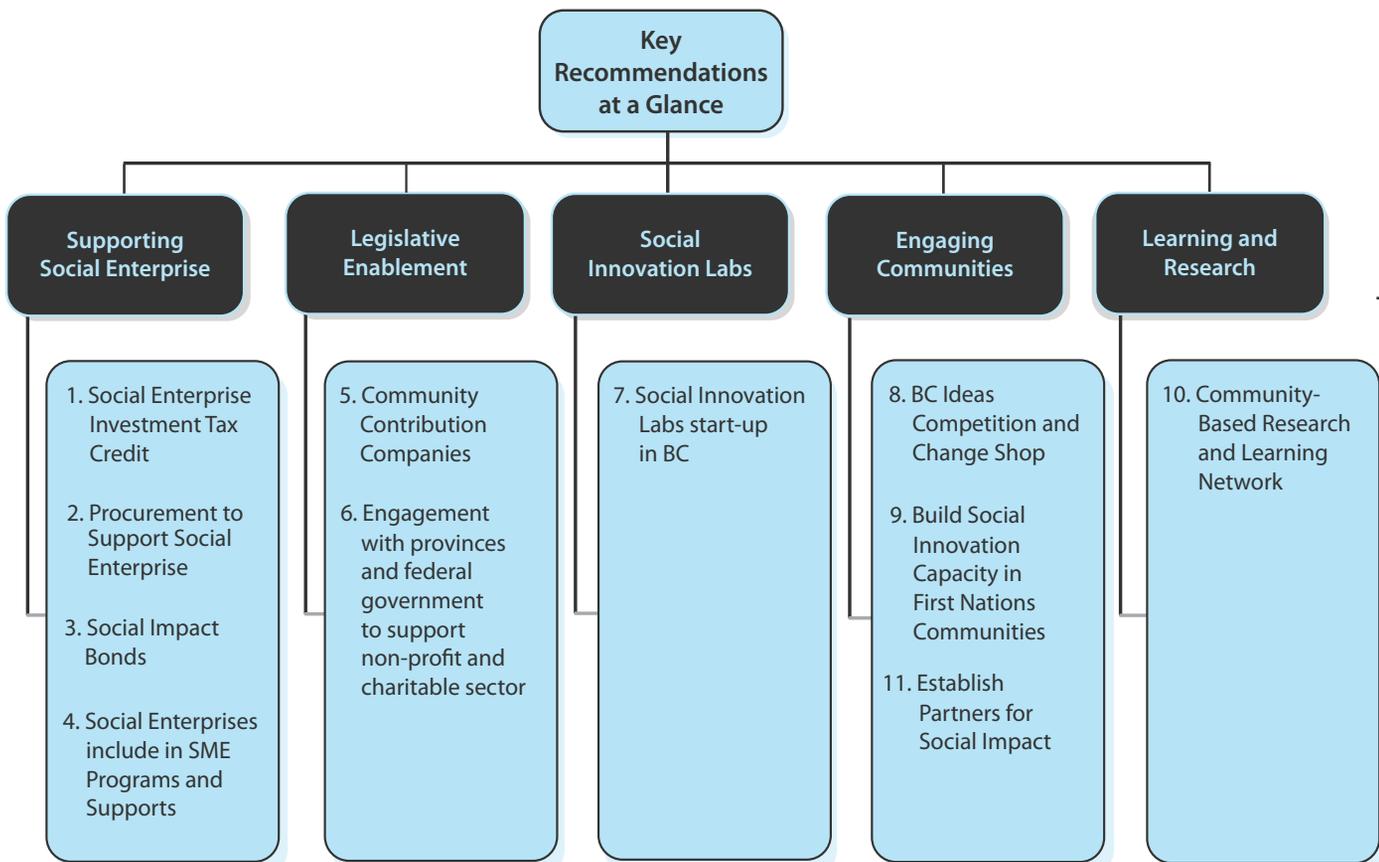
From the outset, we sought to anchor our work in the strong foundations that already exist in British Columbia. We wanted to be as specific and practical as possible, while respecting the emergent spirit of social innovation. Solutions will continue to emerge when groups engage and work together to resolve specific social issues.

Some of our recommendations reinforce ideas and initiatives that have been tested in the Province (for example, procurement and the Social Enterprise Tax Credit); others are emerging as local adaptations of major initiatives proven elsewhere (BC Ideas; Social Innovation Labs; Social Impact Bonds). Together they form a package we believe is integrated, cohesive yet challenging. We believe they form the basis of an action plan for the next stage of the social innovation journey in British Columbia. We recognize that additional recommendations will be generated as more sectors and people engage in using social innovation, social enterprise and social finance to address critical social challenges.

Our recommendations focus on five key areas:

- » Supporting social enterprise;
- » Legislative enablement;
- » Social innovation labs;
- » Engaging communities; and
- » Learning and research.

These recommendations are mutually reinforcing and support the entire process of social innovation from inspiration to generating new ideas and proposals, then prototyping and pilots, through implementation, scaling and systemic change. Most important, partnerships among government, business and community have already emerged around each of them. The following diagram summarizes these recommendations.



Supporting Social Enterprise

Recommendation 1: Provincial government should establish a Social Enterprise Investment Tax Credit to attract new investors and capital for non-profits and social enterprises and to help build a growing pipeline of new social enterprises.

Social enterprises are able to deliver innovative solutions to pressing social and environmental problems, but often struggle to start up and grow to scale. This problem is shared with many private sector companies that compete to attract investment in the form of venture capital. Currently, the BC government offers a 30% tax credit incentive for investments in specific business sectors through the provincial Venture Capital Corporation (VCC) legislation. This mechanism has increased the flow of Venture Capital into areas of strategic importance to the Province. We recommend that British Columbia's current VCC program be amended to include Social Enterprise as an eligible "prescribed business activity."

6

A Social Enterprise tax credit would have the advantage that government would only pay if the social enterprise raises the required private investment.

We recommend an initial annual tax credit allocation of \$5 million, followed by annual increases as justified by actual demand. A Social Enterprise Investment Tax Credit will attract new investors and capital and help build new social enterprises that are able to bring their innovative solutions to scale. The Tax Credit will also help social enterprises build a stronger asset base and will improve the long-term financial sustainability of the sector. The investor gets a blended value (social and financial) return on investment and the community and government receive the social benefits created by the social impacts of the social enterprise.

Recommendation 2: Government, business and non-profits should implement social procurement requirements within their purchasing systems to strengthen social innovation and social enterprise.

Social enterprises often provide products and services that have much wider social and environment co-benefits, including employment of individuals facing labour market disadvantages and products with a reduced environmental impact. In both cases, social enterprises are competing against providers that operate on a large scale in a highly competitive market. A significant challenge for social enterprises is the need to secure access to larger markets for their products

and services. Procurement provides an opportunity for social enterprises to demonstrate the wider co-benefits they create when large institutions make major purchasing decisions.

Procurement by government, foundations, non-profits and businesses offers an enormous market for innovative products and services. It provides an opportunity to stimulate private and community sector companies and organisations to innovate for the public good. Procurement is a low risk way to steer the economy in desired directions. The quality, price and delivery remain yet there are clear social benefits often at lower costs than if government had to deliver the benefits directly. Every business, non-profit and level of government purchases goods and services such as cleaning, catering, couriers, office supplies, IT, coffee, printing, maintenance and repairs, furniture, fuel, landscaping and more.

There are two approaches to delivering social procurement:

1. Buyers – governments, businesses and non-profits – purchase goods and services directly from social enterprises.
2. Any enterprise that wins a public contract has to create broader benefits for the community (called Community Benefit Agreements or CBAs). In terms of employment, CBAs can require that the successful bidder offers job opportunities to designated groups, such as persons with disabilities, Aboriginal youth, new Canadians and young offenders. The company commits to hire, in fulfillment of the contract, a certain number of individuals who are typically underrepresented in the labour market. Community Benefit criteria could be included in procurement contracts, for government, non-profits and businesses.

The Vancouver Olympic Organizing Committee employed a Community Benefits Agreements approach. VANOC's experience in developing CBAs grew from its commitment to social, economic and environmental sustainability.

We recommend that the BC Government, Foundations, non-profits and businesses incorporate social procurement requirements into their own purchasing activities and invest in a program to assist contracting authorities to implement innovative procurement in an open manner, to pool demand, to develop common specifications and to promote access to social enterprises, co-operatives, and social purpose businesses. Consideration should also be given to exploring CBAs for infrastructure projects.

Recommendation 3: The private and non-profit sector should partner with the provincial government to create Social Impact Bonds to fund prevention services, improve social outcomes and attract new sources of social investment capital.

Social Impact Bonds (SIB) are being explored in many countries following the launch in the United Kingdom of a SIB focused on the prison system. The program engages community organisations who work intensively with prisoners to reduce reoffending rates. Any reduction in the average re-offending rate represents significant savings to government, so the investors are paid out of a share of these savings. A Social Impact Bond or ‘Pay for Success Bond’ is a performance-based contract between social investors, foundations, social enterprises, innovative non-profits and government.

8

There are three broad goals: prevention and reduction of long term costs, accessing new sources of financing and improving measurable social outcomes. Private investors, social investors and foundations provide financing to support an innovation to produce improved social outcomes that reduce longer term service costs that would normally be borne by government. Government commits to pay for measurable improved social outcomes that reduce long term service costs. The financial returns investors receive are dependent on the degree to which outcomes improve. If outcomes do not improve and the related savings are not achieved, then investors do not recover their investment.

Key elements of this type of social financing include:

- » Financing is made available for prevention and early intervention services;
- » Tri-sector partnerships developed between private capital, social enterprise/ non-profits and government;
- » Improved social outcomes;
- » Measureable social impact;
- » Payments by government only made if services are effective and savings are achieved; and
- » Social innovation is essential to success.

Since the Interim Report was released, community groups, provincial government ministries, business organisations and universities have begun exploring the development of a Social Impact Bond within British Columbia. While there is a broad range of applications for SIBs, the BC Association of Aboriginal Friendship Centres is exploring the application of SIBs to the goal of reducing apprehensions of Aboriginal children within the child welfare system and to revitalizing Aboriginal extended families. Initial work has been completed in the development of a SIB in this context and this work holds significant promise in tackling one of British Columbia's more complex and deeply rooted social challenges.

Recommendation 4: The Province should include social enterprises under eligibility criteria for government-sponsored business development, programs that target small and medium enterprises (SME).

According to the National Survey of Nonprofit and Voluntary Organizations (NSNVO)¹, there are 161,000 voluntary organisations in Canada with annual revenues of \$112 billion, employing over 2 million people. While health care is a major focus, even excluding universities and hospitals, the sector generates \$75 billion in revenue while producing 2 billion hours of volunteer time each year, equivalent to about 1 million full time jobs. Social enterprises are often small and medium enterprises (SME) that face many of the same challenges of growth as conventional businesses. Research on social enterprise access to these SME programs has indentified some critical concerns:

- » Many SME programs do not allow social enterprise access, either by design or by default.
- » In some cases, social enterprises have been specifically excluded. However, in the majority of cases, eligibility is unclear or ambiguous, or perceived as closed to social enterprises by program administrators.
- » SME programs need adjustments to accommodate the unique blended value proposition of social enterprises and to include social enterprise specific services including:
 - Loan programs (financing);
 - Business skills development;

¹ www.imaginecanada.ca

- Financial literacy;
- Organisation-oriented programs and services (rather than entrepreneur/sole-proprietor-oriented); and
- Online resources tailored to social enterprise (content-wise and also with consideration to the organisational structure of a social enterprise).

This will strengthen the business capabilities of charities, non-profits, co-operatives and other forms of social enterprise.

Legislative and Regulatory Environment

Recommendation 5: The provincial government should complete the work to establish Community Contribution Companies (CCCs) as a new corporate structure to raise capital and achieve a social mission.

Governments around the Organization of Economic Co-operation and Development (OECD), including the UK and the US, have recognised that there is a need for new organisational models to foster social innovation and support the growth of social enterprises. The UK government created legislation that allows for the creation of Community Interest Corporations (CICs) and the state of Vermont passed legislation that allows for the creation of Low profit Limited Liability Companies (L3C's). Both CICs and L3C's help social entrepreneurs to attract capital that is seeking reasonable rates of return from investors who recognize the value of blended financial and non-financial social returns.

These hybrid corporations (combining social and financial objectives) are taking many different forms in other jurisdictions around the world. The Council is very pleased that the provincial government introduced legislation on March 5, 2012 to allow the creation of Community Contribution Companies under the *Business Corporations Act* and looks forward to the implementation of this new corporate form over the next year with the full suite of regulations required. These new forms of corporations could have widespread application in BC ranging from environmental service companies to business development platforms for Aboriginal and rural communities.

Further, we recommend that government also explore the possibility of creating Public Benefit Corporations in BC, modeled after those in place in a number of US jurisdictions, including New York and California.

Recommendation 6: The provincial government should continue to work with its provincial and territorial counterparts and the federal government to address non-profit charitable sector issues.

Current restrictions on Canadian charities prevent them from realizing their full creative and entrepreneurial potential. The legislation and regulations governing charities falls within federal jurisdiction. We recommend BC place social innovation and the sustainability of Canada's non-profit sector as ongoing agenda items for the Council of the Federation.

These discussions should include:

- » addressing the restrictions on the activities of registered charities and eliminating barriers to charities using business methods, capital and entrepreneurship to achieve their social goals;
- » modernizing and harmonizing provincial and territorial rules and regulations affecting the social enterprise sector on a national basis; and
- » ensuring provincial charities, non-profits, co-operatives and social enterprises are eligible for the federal business skill training programs and technical supports currently available for Small and Medium Enterprises (SME).

Social Innovation Labs and Design Processes

Recommendation 7: Government, community organisations, social enterprises, business, and academia should continue to work together to explore the best social innovation labs and design processes from around the world and begin to apply them to social challenges in BC.

Social innovation labs are being used in many jurisdictions to research, test, demonstrate and scale new ideas and innovative practices within government and among wider stakeholder groups. Social Innovation labs are particularly useful for dealing with long term social problems that have become resistant to traditional solutions. They create an opportunity to explore, test and prototype new ideas, approaches and solutions in a disciplined and protective environment before wide spread implementation. They are safe, dedicated and disciplined places for research and development, trial and error, working together across sectors, incubating new ideas and launching social enterprises.

There are a number of models for social innovation labs, including Denmark's Mindlab; Reos Partners Change Labs; MIT's Ageing Lab; Toronto's new Solutions Lab; and Vancouver's d.studio.

While sponsorship and origins of Social Innovation labs vary from government, business, universities and the community their common characteristics include:

- » a testing ground for new ideas;
- » convening of interdisciplinary teams – policy makers, funders, service providers, business and labour, as well as users and volunteers;
- » multi-sector sponsorship and engagement;
- » enabling beneficiaries, i.e. those with firsthand experience and knowledge of the social problem to shape and lead the process;
- » Rapid prototyping to test ideas out before implementation;
- » Application of design thinking, complexity theory, computer modelling and visualization, dialogue and qualitative research;

- » Continuous research and outreach; and
- » Scale and measure proven solutions.

Knowledge and solutions generated from these social innovation labs can be used by government, social enterprises, non-profit organisations and business to introduce new solutions, improve services and scale social innovations. Social innovation labs have become an important stimulus for public sector innovation. Government, non-profit and business support of social innovation labs can include in kind support, staff secondment and financing.

Since our Interim Report there has been a significant interest on the part of government, universities and community groups and some businesses to apply social innovation lab approaches to problems they have not been able to solve any other way. This has led to a number of initiatives including:

- » the d.studio at the Sauder School of Business, which brings design education, expertise and experience to students and organisations across private, public and social sectors;
- » CityStudio Vancouver, an innovative and energetic hub of learning and leadership where students from Vancouver's six public post-secondary institutions design and implement Greenest City urban sustainability projects that make Vancouver communities better;
- » Co-Lab, a group of community, businesses, universities and government agencies cooperating on the development of their respective labs, sharing best practices common costs and staffing and retaining international expertise;
- » Early stage labs being developed around disability issues, which builds on government's commitment to social innovation in the community living sector. These labs are also addressing Aboriginal issues such as the Off-Reserve Aboriginal Action Plan (ORAAP), which brings the Aboriginal community, business, government, and academia together to improve outcomes for off-reserve Aboriginal British Columbians.

Engaging Everyone

Recommendation 8: Community, business and government partners should build on the first social innovation web-based competition (BC Ideas) to establish a permanent online community platform that showcases BC solutions to the world, generates new ideas and matches problem solvers and social innovators with mentors, funders and collaborators.

The Council recognizes that there are a large number of innovative individuals and organisations throughout the province whose ideas, experience and creativity can make a contribution to solving our social problems. Crowd sourcing is being used by Global organisations like **Ashoka's Changemakers** to surface new and creative ideas and increase engagement. In addition, social innovators need support with networking and capacity building and digital media offers many low cost opportunities to strengthen those ties within a region.

On November 25th the Premier announced a partnership to use the web to engage British Columbians in generating social innovation ideas. The founding partners of LIFT Philanthropy, the ISIS research centre at UBC's Sauder School of Business, the provincial government, Ashoka and the Advisory Council on Social Innovation have created **BC Ideas**.

BC Ideas is an online collaborative-competition, to engage as many British Columbians as possible in submitting their solutions to social, environmental and economic problems. The community-led innovations that show the most promise of improving the lives of British Columbians will receive resources and other investment opportunities to improve and spread their innovation around the province and beyond.

The first social innovation competition (BC Ideas) will begin May 9th. It will result in a shortlist of finalists that are investment-ready for funders and government to support.

The intention is to use this social media open source platform to:

1. host other open source competitions to our social challenges on a regular basis;
2. to attract other partners and sponsors; and
3. create a permanent online community (Change Shop) to mentor social entrepreneurs, non-profits, social innovators, social purpose businesses and co-operatives.

Ashoka has offered BC the opportunity to create the first jurisdiction-specific Change Shop.

Change Shops have been created to support networking and capacity building among social innovators. A Change Shop is an online storefront for new ideas, innovations, or social ventures. A Change Shop includes photos, descriptions, goals, and updates about an idea, and it creates a place to request and discover resources and support. This will support ongoing engagement beyond individual competitions:

- » users will be able to track the growth of their projects to attract new investments and partners;
- » users can access resources and feedback from other users to advance their projects;
- » the Change Shop can support additional competitions in the future;
- » it offers a pipeline of ideas and programs to be further developed and supported; and
- » it is an important marketing tool for social entrepreneurs.

The Council recommends that the BC Government, foundations, businesses and community groups use BC Ideas to generate new ideas and financially support promising solutions. Offering social innovation competitions on an annual basis would create a unique global platform and would stimulate a wave of innovative enterprises and programs across the province.

Recommendation 9: Aboriginal Leaders, Aboriginal businesses, and Aboriginal organisations, together with government, community organisations, social entrepreneurs, business, and academia should partner to develop a targeted strategy to build social entrepreneurship and social innovation capacity in BC First Nations and Aboriginal communities.

Aboriginal British Columbians continue to be ranked on the bottom of many social and economic indicators. There is a seven-year life expectancy gap between Aboriginal and non-Aboriginal peoples in BC and the Aboriginal population is growing at three times the national average. The social innovation and social enterprise agenda holds great promise for unique application in addressing long-standing and extremely complex social and economic barriers for First Nations reserves and for off-reserve Aboriginal communities. Special efforts will be required to build capacity and a solid foundation in order for this agenda to take hold within many Aboriginal communities. However, there is also a high level of readiness and interest in building a better future for Aboriginal People.

Learning and Research

Recommendation 10: Partners in the research and education sector should implement a network of education, training, learning, capacity building and community-based research to develop and support students, youth and Aboriginal entrepreneurs, social entrepreneurs and innovators.

Universities, colleges and schools have played an important role in developing the concept of social innovation. The University of Oxford established the Skoll World Forum on Social Enterprise, the University of Stanford created the Social Innovation Review, the founder of the Grameen Bank was an economist in Bangladesh and, most recently, Kiva.org, one of the most successful microfinance initiatives was established by a graduate student.

18

The education sector is a key source of innovation and capacity building. The strategy will require new investment by partners in the research and education sector as well as government and should include:

- » Continuing to support and expand capacity building programs like Enterprising Non-Profits;
- » Developing a Social Innovation Diploma Program in BC, inspired by the J.W. McConnell Family Foundation/SIG program at the University of Waterloo and programs at Harvard and Stanford;
- » Bringing the best thought leaders from around the world through the public speaker series on Social and Public Innovation and Financing that has already brought many leading experts in social innovation to BC including: Adam Kahane, Reos Partners; Geoff Mulgan, NESTA, UK; Christian Bason, Mindlab, Denmark; Peter Shergold, Centre for Social Impact, Australia; Charles Leadbeater, England and Ezio Manzini, Italy;
- » Supporting the expansion and development of BC's community-based research network. These community-university inter disciplinary partnerships are having an impact on issues such as homelessness, adaptive technologies for the disabled, local food production and food security;
- » Expanding social policy, design, business and MBA programs to include more support for the development of social entrepreneurs, social innovation and design;

- » Developing a targeted strategy to build social entrepreneurship and social innovation capacity in BC First Nation and Aboriginal communities;
- » Nurturing the creativity of our young people in elementary and secondary schools as it applies to our social challenges; and
- » Developing a youth entrepreneurship program that could be delivered in high schools and in community with a range of mentorship and other supports.

Recommendation 11: Establish “Partners for Social Impact” to expand participation and continue the work of the Council.

A multi-sector group of partners has emerged from government, non-profits, community organisations, foundations, academia and business who are interested in continuing the work of the Council. We thank the BC Government for ‘kick starting’ this process by creating the Council. The forum has proved useful but we would like to expand and include other groups and individuals interested in social innovation while maintaining the active involvement of the provincial government. The tripartite leadership model for the Council with a community chair has worked well and we recommend it continue. An interim title for this widening partnership is, “Partners for Social Impact.”

Partners for Social Impact would:

- » Work across all sectors and disciplines to ensure the implementation of the Council’s recommendations;
- » Identify new opportunities and emerging gaps in the social finance/social innovation landscape, including expanding available Social Innovation financing;
- » Engage and coordinate the collective and independent work of social innovators and social entrepreneurs in BC; and
- » Pay particular attention to supporting youth and Aboriginal entrepreneurs and innovators.

We have found the role and participation of Parliamentary Secretary Gordon Hogg to be invaluable, providing an ongoing relationship with our government and elected political representatives. We recommend it continue.

The establishment of the ADM Committee on Non-Profit Partnerships is a clear sign of the value our public service places in the recommendations of the Council. A significant number of government ministries are engaged through the ADM Committee, collectively and independently, in policies and programs. These include: Ministries of Social Development, Finance, Health, Aboriginal Relations and Reconciliation, Children and Family Development, Labour, Citizens' Services and Open Government, and Education. Partners for Social Impact look forward to working closely with this committee to implement the Council's recommendations.

The Council has benefitted from in kind and secretariat services from the BC Government and recommend this support continue as government's contribution to Partners for Social Impact.

Throughout the tenure of the Council, businesses, foundations, universities and community groups have provided additional in kind and financial support, for example the creation and administration of our website. We have been assured this support will continue, making Partners for Social Impact a true multi-sector initiative and collaboration.

A very special thank you to all those who participated in the development of the Action Plan for Social Innovation in British Columbia and provided advice to the Council through many conversations, meetings, written submissions and the website.

**Working together
we create a better future.**

