

STRATEGIC INVESTMENT APPROACH

Background

The federal government recognized the need to increase the capacity of organisations and enhance the ability of government and the sector to work together.

Currently, the array of mechanisms available to provide federal funding to voluntary sector organisations -- grants, contributions, fee for service -- does not facilitate an approach specifically aimed at *increasing the capacity of organisations* to contribute to the development of policy or the delivery of programs and services to achieve the mutual goal of improving the quality of life of Canadians.

A broadened array of mechanisms would enable the federal government to make the strategic investments necessary to enable voluntary sector organisations to work more effectively with the federal government.

Bringing a more strategic focus to some funding of the sector, to complement other funding modes, would bring greater stability and sustainability to those sector partners who work closely with the government on important government priorities.

Purpose of Strategic Investments

The purpose of strategic investment would be to create stronger relationships between the federal government and voluntary sector organisations working on government priorities over the longer term.

Description of Approach

A *strategic investment approach* would allow government to strengthen the capacity of such sector organisations through multi-year investments in governance, community outreach, management capability and technical capacity, resulting in improved programs and services for Canadians.

To be effective, a *strategic investment approach* would require *extended time horizons for funding*, to accommodate working together on major, longer-term priorities.

Currently, most federal funding Programs have a one-year funding horizon, in line with the annual appropriation of funds to departments by the Parliament of Canada.

A few Departments have developed ways of permitting longer-term funding horizons to be able to support significant work on key Program priorities, by highlighting to their sector organisations that while funding is committed for more than one year, actual payments are dependant upon the annual appropriation of funds by Parliament. However, this approach is not widely used, and more importantly, it is not focused on building sector capacity to work more effectively with government.

Informal discussions with both voluntary sector organisations and federal departments reveal that the limited time horizon available for most federally funded initiatives is a very significant irritant in the funding relationship.

Providing investment funding over extended time horizons to voluntary organisations would remove a number of other identified impediments in the relationship, which currently:

- inhibit organisations' ability to undertake longer-term planning;
- limit evaluation of funded activities to an ineffective one-year horizon;
- work against organisational ability to retain skilled professional staff;
- give some sector organisations an impression they are not truly recognised as collaborators in achieving longer-term mutual goals.

It is important to note that ***strategic investments in capacity*** is not a restoration or re-formulation of core funding, nor is it on-going organizational funding untied to achieving specific results.

Methodology

Strategic investments would be made in governance, community development capacity, program management capability and technical capacity of organisations working with government on major, long term priorities.

Extended time horizons for investments (from 1 to 3 and up to 5 years) could be required to allow for work on longer-term priorities. Accountability measures would focus on evaluating the outcome/results of the strategic investment.

A ***strategy*** to achieve results would be a requirement of all strategic investment, to ensure that changes or improvements resulting from the investment can be evaluated over the longer term. The investment would need to be supported by a strong business case demonstrating:

- why strategic investment is needed; and
- how it will improve working with government on an issue which is key to both the sector and the federal government (i.e. objectives and concrete results to be achieved).