

Establishing an enabling environment for civil society organizations in Canada

Key issues affecting Canadian international development and humanitarian organizations

An analysis of survey results

A Report Prepared for



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Acronyms

CCIC	Canadian Council for International Co-operation
CIDA	Canadian International Development Agency
CRA	Canada Revenue Agency
CSO	civil society organization
DFAIT	Department of Foreign Affairs and International Trade
DFATD	Department of Foreign Affairs, Trade and Development
ICN	Inter-Council Network of Provincial and Regional Councils for International Cooperation
IDRC	International Development Research Centre
NGO	non-governmental organization
OECD	Organization for Economic Co-operation and Development
PE	public engagement
PwCB	Partnership with Canadians Branch

Executive Summary

1.0 Introduction

In February 2012, the Canadian Council for International Co-operation (CCIC), in collaboration with the Inter-Council Network of Provincial and Regional Councils for International Cooperation (ICN), released a report entitled, “Putting Partnership back at the Heart of Development: Canadian Civil Society Experience with CIDA’s Call-for-Proposal Mechanism, Partnership with Canadians Branch.”¹ The report assessed the experience of Canadian civil society organizations (CSOs) with the new calls-for-proposals funding mechanism, provided a very detailed analysis of the experience of organizations with each of eight calls, identified a number of actual and emerging impacts on organizations, and made 12 recommendations to address these impacts.

It has been three years since the last major set of calls-for-proposals for under and over \$2 million from Partnership with Canadians Branch (PwCB), last launched in April 2011. There are now very few Canadian organizations that are not feeling some sort of impact on their work and on their organizations. This report builds upon the 2012 report, using many of those initial findings as a baseline upon which to assess the deepening issues and impacts arising from the changing funding modalities in PwCB (now Partnerships for Development Innovation Branch). The survey upon which this report is based has four goals:

1. To update the information on the impacts, which reduced funding from CIDA/DFATD has had on organizations in our sector (relative to the 2012 baseline);
2. To identify other issues that are hindering the ability of CSOs to act as independent development actors in their own right – an idea established in the Accra Agenda for Action and reaffirmed in subsequent meetings in Busan and Mexico;²
3. To map how organizations have responded to these impacts; and,
4. To identify organizations who would be willing to share this experience with others.

The analysis of this 2014 survey shows that the lack of any significant and predictable funding for the sector from the Canadian International Development Agency (CIDA)/Department of Foreign Affairs, Trade and Development (DFATD) since 2011 is having a profound and detrimental impact on Canadian CSOs’ capacity to deliver their programs on the ground – in terms of reduced staff, partnerships and activities. This in turn has had a negative knock-on effect on the millions of individuals with whom these organizations are working, both as partners and as beneficiaries. And ultimately, it also represents a loss for Canada’s global engagement given the tremendous missed opportunity for DFATD to work with a community that has decades of experience, expertise and

¹ “Putting Partnership back at the Heart of Development: Canadian Civil Society Experience with CIDA’s Call-for-Proposal Mechanism, Partnerships with Canadians Branch.” CCIC and the ICN, February 2012. Available on-line: http://www.ccic.ca/files/en/what_we_do/2012_03_Survey_Report_e.pdf

² For details, see Accra Agenda for Action, Third High Level Forum on Aid Effectiveness, September 2008. Available on line: <http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>. Busan Partnership for Effective Development Cooperation, Fourth High-Level Forum on Aid Effectiveness, December 2011. Available on-line: <http://www.oecd.org/dac/effectiveness/busanpartnership.htm>. First High-Level Meeting of the Global Partnership for Effective Development Co-operation: Building Towards an Inclusive Post-2015 Development Agenda, Mexico High Level Meeting Communiqué, 16 April 2014. Available on-line: <http://effectivecooperation.org/wordpress/wp-content/uploads/2014/05/FinalConsensusMexicoHLMCommunique.pdf>

success in working in long-term partnerships and development outcomes overseas.

The resulting conclusions and recommendations point to the need for a new strategic partnership between the Canadian government and Canadian international development and humanitarian CSOs. Ultimately, such a partnership must support the capacity of a diversity of CSOs to engage effectively as independent actors in development cooperation and to contribute to positive sustainable development outcomes for the poorest and most marginalized – an outcome of benefit to the Canadian government and to Canadians.

2.0 Main Highlights of the 2014 Survey³

A. An Overview of Responding Organizations

The survey captures a representative range of 138 CSOs involved in development cooperation in terms of scale (revenue), capacities (staffing), approach and regional diversity.

B. Changes in Organizations' Total Revenue since 2010

The survey identified some important shifts in revenue among Canadian CSOs since 2010:

- **A very significant number of organizations** (57 or 44% of the sample) **have experienced declining total revenue since 2010**, affecting their capacity to sustain their development programs.
- **Declining revenue affected small and medium sized organizations disproportionately** compared to large organizations.⁴
- **More than half the organizations (55%) identified the loss of CIDA/DFATD revenue as the primary reason for this decline in revenue**; when this loss is combined with declining donations, the proportion grows to 60%.
- **The most pronounced increase in revenue was among ten of 16 organizations with total revenue of more than \$10 million.**
- **Among groups with increasing revenue**, 48% cited improved **private fundraising** and 30% cited greater revenue from CIDA/DFATD as the **primary reason** for the increase in revenue.

C. The Relative Share of Different Sources of Revenue for Organizations

The survey asked each respondent to disaggregate their organizations' revenue sources according to three groupings:

- Private non-governmental contributions (individual, foundations, corporations);
- Provincial government funding; and
- CIDA/DFATD funding.

³ As with the 2012 report, the basis of this current report is an extensive survey of 69 questions (see Annex One) conducted through survey monkey in January and February 2014, and completed by 138 participating organizations. Participants were drawn from the membership of CCIC, Provincial and Regional Councils and other respondents to a similar Survey in 2012. A special effort was made to reach out to organizations that had completed the 2012 survey.

⁴ This analysis identifies small organizations as those with less than \$500,000 in total revenue, medium-sized organizations as those with between \$500,000 and \$5 million in total revenue, and large organizations as those with total revenue more than \$5 million.

What is the relative importance of each of these revenue sources?

- **Non-governmental (private) sources of funding represent a growing and significant** proportion of funding for more than 90% of all organizations in the survey. Almost half of the respondents receive more than 50% of their total revenue from private sources. Only medium-sized organizations received less than half of their revenues (at 43%) from private sources.
- **There is a wide variation in terms of how much funding different organizations get from DFATD.**⁵ For almost 60% of responding organizations, DFATD revenue makes up less than 25% of their current total revenue; for less than a third of all responding organizations, it makes up more than 50% of their revenue.
- **Broken down by organizational size** (see footnote 4), where funding from DFATD represents more than 50% of revenues:
 - **small organizations: 18%** (down from 21% in 2012);
 - **medium-sized organizations: 43%** (up from 37% in 2012);
 - **large organizations: 32%** (up from 27% in 2012); and
 - **very large organizations, with revenue over \$10 million: 42%** (up from 28% in 2012).
- **Very few responding organizations (9) rely on provincial revenue sources** for more than 25% of their current total revenue. Large organizations are somewhat more likely to receive funding from provincial sources (43% of large organizations, compared to 36% of medium sized, and 35% of small organizations).⁶

D. Analysis of Patterns in CIDA/DFATD Funding for Canadian CSOs

What is the experience of Canadian CSOs in their funding relationships with CIDA/DFATD? More than 80% (or 112) of responding organizations indicated that they had received CIDA/DFATD funding in the past (but may not necessarily be currently receiving funding).

- **Large and medium-sized organizations are much more likely to have a long history of funding with CIDA/DFATD than small organizations**, and these funding relationships have been relatively stable for many CSOs over a long period.
- **This stability has been undermined in recent years.** Fully 40% of the organizations with a history of funding from CIDA/DFATD currently are receiving no funding. For small organizations, this proportion grows to more than 70%.
- **Current funding status with DFATD is a critical indicator of trends in organizational revenue since 2010.** Among organizations with past funding from CIDA and declining revenue since 2010, more than half are not currently receiving DFATD funding. On the other hand, 70% of organizations with a history of CIDA funding and increasing revenue since 2010 are currently receiving DFATD funding.
- **Funding from PwCB has also become less important (although still significant)** in the current

⁵ While CCIC and the ICN encourage their members to diversify their funding, the share of revenues represented by CIDA/DFATD funding (even when more than 50%) should not necessarily be seen as creating a relationship of "dependency". Up until 2010, the relationship between the Canadian international development sector and CIDA was characterized as one of partnership that, amongst many other dimensions, included regular and long-term funding from CIDA for a variety of trusted partners, based on long-term experience and good performance.

⁶ The results only reflect a small pool of organizations that responded to this question. In reality, many more members of the Provincial and Regional Councils are reliant on provincial funding.

profile of DFATD funding for Canadian CSOs relative to 2012, with a decline in the number of organizations receiving more than 50% from PwCB (from 63% of organizations in 2012 to 56% in 2014) – likely as a result of the absence of calls and expiring contribution agreements.

- Of the 25 organizations receiving funding from either Multilateral or Geographic Branches, 20 are large, only four are medium-sized, and one is small.

E. Issues arising from the changing funding modalities in CIDA/DFATD Partnership with Canadians Branch (PwCB)

In June 2010 the Minister for International Cooperation announced that CIDA would implement call-for-proposals as the exclusive funding modality by PwCB for Canadian CSOs. General calls (for under and over \$2 million) were issued in April 2011, and there have been no new general calls-for-proposals since then. The 28 organizations in the sample with expiring contributions agreements with PwCB since 2011 have had few alternative avenues for CIDA/DFATD funding.

- **More than 40% of the organizations with increasing overall revenue since 2010** and with existing contribution agreements (not related to calls-for-proposals since 2010), **have those agreements expiring in 2013 and 2014**. With few alternatives for these organizations within DFATD, expiring agreements may reverse their trend of increasing revenue after 2014.
- **Timely responses to proposals submitted to DFATD remain a serious challenge**. More than half of the responding organizations reported wait times for assessment of proposals submitted to CIDA/DFATD of more than 12 months.
- **Successful proposals in the various calls since 2010 showed a bias in their outcomes towards larger organizations, to the detriment of small and medium-sized groups**. While more than half the large organizations and about a third of the medium-sized organizations were successful, only six small organizations indicated that they were successful in a call-for-proposal. Close to two-thirds (61%) of those with increasing revenue also reported success in a call-for-proposal.
- **Still 46% of organizations with decreasing revenue during this period also reported a success in a call-for-proposals**. Clearly, revenue from these calls for these organizations was not sufficient to replace lost private or previous CIDA/DFATD revenue.
- **Contracts were negotiated within a reasonable timeframe for two thirds of successful organizations**.

F. Implementing the Call-for-Proposals Mechanism in 2010: Impact of changing CIDA/DFATD funding modalities on CSO operations

What have been the main impacts on the capacities and development work of Canadian CSOs since the implementation of the PwCB competitive call-for-proposals' modality?

The PwCB shift in funding modalities, the absence of general calls, and the expiration of existing contribution agreements, has had deep and profoundly negative impacts on many Canadian CSOs. It has affected their capacities to sustain programs, reduced and artificially changed their activities in many developing countries where they have had a long history of involvement, and challenged partnerships that have been central to their work. In the words of one respondent, "this new system has been a colossal failure in every way for the development sector in Canada, and has devastated partnerships with civil society overseas."

Impacts over the past three years are particularly severe in three areas:

- Through actual or planned **cuts in long-standing partnerships** for almost half of the organizations surveyed (46%);
- Through **major reductions in the diversity of Canadian CSO activities** on the ground for more than half (53%) of the organizations surveyed; and,
- Through a **significant reduction in staffing**, reported by 43% of the organizations surveyed.

While all sizes of organizations have been affected, **medium-sized organizations have been the most affected by the policy and funding changes in PwCB**, with 54% of these organizations reporting that they have had to reduce the size of their organization, reduce activities on the ground, and reduce their partnerships. Large organizations with greater access to a diversity of DFATD funding windows were less affected, but a significant portion (40%) of them still reported negative impacts. Survey respondents from small organizations seemed to be least affected, likely due to relatively low levels of funding from PwCB prior to the changes in 2010.

Canadian CSOs have been adversely affected by many changes in their working environment, both overseas and in Canada, but there can be no doubt about **the main cause of these dramatic changes since 2010 – the shift away from institutional funding relationships**, to the call-for-proposals mechanism, **and the absence of timely and predictable new funding opportunities** for organizations to replace former CIDA funding.

- Among all the organizations that reported reductions in their organization's staff and program, the following proportions indicated that these different types of reductions were the direct result of the shift to the call-for-proposals mechanism:
 - 73% of those that reduced the number of partnerships;
 - 62% of those that reduced activities on the ground; and,
 - 48% of those that reduced staff.

Many respondents, whether affected directly or not, raised a range of impacts on the quality of their programs. These include:

- **Heightened uncertainty** related to predictability in DFATD funding opportunities;
- **Lack of direct engagement and dialogue** with DFATD for shared programming;
- **Unexpected increased programming and fundraising costs**, and the need to work with partners to identify alternatives to bridge reduced support, and to seek other funds;
- **Artificial shifts in organizational priorities** and phasing out of partnerships due to shifts in CIDA/DFATD call-for-proposals themes;
- **Need to redesign longer-term projects**, with reduced ability to plan for outcomes in a complex development environment where change happens over time;
- More **single country-focused projects**, and less capacity and resources to support multi-country programming and sharing of lessons across countries;
- **Difficulty identifying alternative revenue sources** that will support the basic infrastructure of the Canadian organization; and,
- **Difficulty sustaining work with partners**, building on the positive outcomes from one phase of a program through innovation and extension into a further phase.

G. Revenue Diversification Strategies

The 2012 survey asked respondents how they planned to make up for any lost revenue due to the shift to the call-for-proposals funding modality. Three years later, **more than two-thirds of respondents indicated they have developed a revenue diversification strategy. However, only half of the organizations that receive 50% or more of their revenue from CIDA/DFATD, are carrying out a revenue diversification strategy.** The outcomes of revenue diversification strategies have been either moderately successful to date (41%) or successful (22.7%).

- The top four sources of (non-PwCB) institutional finance for Canadian CSOs since 2012 have been 1) private foundations; 2) the private sector; 3) provincial governments; and 4) other NGOs. Access to private sector revenue has been growing over the past decade for 60% of the respondents and is spread equally across all size categories of organizations.

H. Spending on public engagement

The role of Canadian organizations in engaging the public is an important dimension of international cooperation. The 2014 survey asked how responding organizations are working in public engagement (PE), and explored the consequences of changing funding on PE.

- **There is a wealth of experience in PE in the community**, with three quarters of the 105 respondents to this section indicating they have been implementing PE for more than 20 years, and more than 90% for more than 10 years. But the majority of organizations engaged in PE devote less than 10% of their resources to these activities, with small organizations much more likely to allocate larger shares of their revenue to PE.
- **More than two-thirds of organizations indicated that they replaced the PwCB allowable allocation of 10% to PE with their own resources.** The top three sources of finance for PE activities are 1) private individual donations; 2) CIDA/DFATD;⁷ and 3) corporate donors.
- **Spending on PE has been somewhat stable over the past five years for the 25 organizations devoting more than 20% of their revenue to these activities.** However, allocations to PE activities have been **less stable for the 80 organizations devoting less than 20% on PE** (the majority of organizations working with PE), with close to 40% of these organizations reducing this investment.
- **Public engagement is still focused on an array of objectives.** The most popular PE objectives identified by respondents are “raising awareness about particular issues,” “information sharing about organizational programs,” and “changing broad attitudes.” The lowest ranked objective is “advocacy,” followed by “empowering target populations.”
- Among responding organizations, **about a third (34%) ranked “fundraising” among their top three PE objectives, and about a third (36%) ranked it as their least important objective.**

I. Participation in Dialogue with Government since 2012

An important dimension of an enabling environment for CSOs is regular and institutionalized opportunities for policy dialogue with government. The survey sought information from respondents on their experience since 2012 with various forms of policy dialogue with the government, including departments outside of CIDA/DFATD.

⁷ These were two separate questions. People did not say that they replaced the 10% money with other CIDA/DFATD money (since the 10% allocable to PE funding would no longer have been allowable). Nevertheless, when asked what the main sources of funding they used to replace former PE funding, they did identify CIDA/DFATD, but with no explanations.

- **Very few (24% or 33 of 138 respondents) Canadian CSOs have had an opportunity to participate in a dialogue process with government** (Federal or Provincial) since 2012. But large organizations were much more likely to be invited to engage in *ad hoc* dialogue processes than medium-sized or small organizations.
- The vast majority of the opportunities for dialogue have been in CIDA/DFATD official policy roundtables and other CIDA/DFATD dialogue or policy/learning events.
- While a few members of Provincial and Regional Councils outside of Ontario and Quebec did participate in dialogue, almost all of the participants were national organizations.

J. Impacts of Regulatory Processes on Canadian Not-for-Profit Organizations

Since 2012 Canadian CSOs have been impacted in a number of non-financial areas. All federally incorporated not-for-profits must apply for “continuance” under the new Not-for-profit Corporations Act. In addition, all registered charities must provide the Canada Revenue Agency (CRA) with the new by-laws and articles of continuance, once accepted by Industry Canada, and other documentation, including objects, if revised. Has the continuance process, and particularly the steps with CRA, affected the operations of the responding organizations? What has been the experience with audits by the CRA and audits by CIDA/DFATD?

- The **federally incorporated respondents**, who had completed the requirements of the new Not-for-Profit Corporations Act, **indicated that they had no issues with Corporations Canada, part of Industry Canada, in receiving their certificate of compliance.**⁸ But three out of eight organizations indicated that the CRA raised questions about their charitable objects when they were completing the compliance process. All questions were resolved.
- A **relatively high proportion of organizations** (one fifth of the sample) **have undergone an audit with CRA since 2010.** An **even higher** portion, 46%, **have undergone a CIDA/DFATD audit** as part of their program cycle.
- While a **small number of those who underwent a CRA audit identified a more exacting** and time consuming **process, the majority found their audit was “helpful” or “thorough but fair.”** Among survey respondents, most CIDA/ DFATD audits occurred with medium-sized organizations, and to a lesser extent with large organizations.

3.0 Conclusion and Recommendations

The CSO international development and humanitarian community in Canada has been impacted by a series of significant changes over the past several years. These impacts are directly attributable to the changing – and lack of – funding and policy environments at the Federal level. This survey has helped identify some of those impacts on the capacity and programs of Canadian CSOs.

To address the implications of these changes on the capacity of Canadian CSOs to realize their full potential as independent development actors in their own right, this report has identified the following set of recommendations, which need to be addressed by Canadian CSOs themselves, in government policies as they relate to the activities of registered charities and not-for-profits, and by a DFATD policy or strategy that sets out the Department’s framework for engaging CSOs in development cooperation.

⁸ Readers should note that only 30 organizations had completed the compliance process with CRA out of the 138 respondents to the survey, and only eight of these responded to the question about CRA. This is a relatively recent development, and since few organizations responded to this section, it is hard to know how representative these results are of the immediate impacts on CSOs or of the longer term impacts of these changes.

A. Funding mechanisms

KEY FINDINGS

The once stable institutional funding relationship between CIDA/DFATD and civil society has been seriously undermined for all organizations, including those with a long historical relationship. This is evident in the general decline in the overall number of organizations receiving DFATD funding, the unpredictability of funding opportunities, and the expiry of existing contribution agreements secured by organizations under the old funding window, with no alternative funding sources in DFATD. Timely responses to proposals submitted to DFATD also remain a serious issue. The deterioration in the funding relationship has had a significant and detrimental impact on efficient and effective development programming of a wide number of Canadian CSOs, and on their ability to engage with the Canadian public. These impacts have affected the capacities of organizations to maintain staff and sustain often long-standing programs and partnerships on the ground, with significant cuts all around.

RECOMMENDATIONS

- **DFATD should support a diversity of CSOs – something which will maximize CSO contributions to development outcomes.** While larger, well-established CSOs have important strategic capabilities to offer, there are numerous smaller and medium-sized CSOs that have established a specialized geographic or thematic niche that allows them to be highly effective. A proven track record, regardless of the size of the organization, should go a long way to identifying future partners. The diversity of CSOs is a valuable Canadian asset that should be sustained and nurtured by CSOs themselves, as well as DFATD.
- **Supporting a diversity of CSOs requires flexible and diverse funding mechanisms that are both responsive and directive to different organizational needs and capacities.** Different types of civil society programs, and the diverse roles that CSOs play, including through public engagement, require different types of funding mechanisms – a best practice recognized by the Organization for Economic Cooperation and Development.⁹ DFATD could make substantial progress with a wider range of transparent and diverse funding mechanisms to address different types of programming relationships, as noted above. An improved calls-for-proposals mechanism could be one among many mechanisms for funding CSOs.
- **To be effective, these funding mechanisms also need to be predictable.** Funding predictability is a fundamental principle of aid and development effectiveness. As the OECD notes, “unpredictable finance, lack of funds for management and programme oversight, one-off project funding, unclear guidelines and inconsistent processes, and complex and overly detailed requirements,”¹⁰ pose significant challenges to CSOs, and ultimately impact the effectiveness of both donors and recipients. Being able to anticipate what resources are coming when, for what, for whom and how often, is a key to effective programming. DFATD should establish a clear timetable of current and future funding for CSOs for each of their funding mechanisms.

B. Revenue Diversification.

KEY FINDINGS

In response to changing funding modalities at CIDA/DFATD, many organizations have developed revenue diversification strategies, although the evidence suggests that these efforts are just starting and are still not enough. The survey findings indicate that organizations with constant revenue streams since 2012, or who receive 50% or more of their revenues from

⁹ “Partnering with Civil Society: Twelve Lessons from DAC Peer Reviews,” OECD DAC, 2012. Available on-line: http://www.oecd.org/dac/peer-reviews/12_Lessons_Partnering_with_Civil_Society.pdf

¹⁰ Ibid, p. 31.

CIDA/DFATD, have been slower to respond. Private sources of funding from individuals, foundations and the private sector are a top source of financial support for Canadian CSOs. While direct government funding has been essential for many CSOs, charities that work on international aid and development reported a total of \$1.2 billion in tax-receipted gifts in 2011.¹¹

RECOMMENDATIONS

- **Promote a more robust philanthropic culture in Canada.** CCIC, working with the ICN and DFATD, should convene a roundtable discussion with Canadian Philanthropic foundations, and international foundations that support international development work by Canadian organizations, to establish how to generate a more enabling environment for foundations in Canada to support the work of the international development community.
- **Support the Canadian public to give more – and benefit more from this giving.** The Government of Canada should fully adopt initiatives like the “[Stretch Tax Credit for Charitable Giving](#),” that encourage an already generous Canadian public to give even more.
- **Support the development of revenue diversification strategies.** CCIC and the ICN, as well as the new Partnership for Development Innovation Branch, should support members in the development of revenue diversification strategies through initiatives such as documentation and sharing of successes and lessons learned, and through capacity building opportunities that encourage peer learning and that bring relevant expertise to the community.
- **Support the identification, and encourage the development, of alternative funding sources for CSOs.** DFATD should support Canadian CSOs to access funding from other bilateral and multi-lateral donors through increased exposure, references, co-funding and other promotional activities.

C. Public engagement

KEY FINDINGS

A majority of organizations still emphasize the importance of public engagement, despite declining resources to do so. While most CSOs spend less than 10% of their revenue on PE, this investment has been sustained despite the abandonment by CIDA of the 10% allowable allocation to PE. This underscores the importance groups still place on PE, and that it remains a vital component of engaging Canadians in development cooperation and supporting the creation of global citizens that understand the importance of Canada’s role in the world.

RECOMMENDATIONS

- **DFATD should develop responsive funding modalities that support the active involvement of Canadians in development cooperation through the full spectrum of opportunities for PE, including advocacy for effective development policies and practices.** In Canada, CSOs are the principal mechanism through which Canadians engage as global citizens to combat poverty, learn about development issues, and satisfy their aspirations to make the world a better place. The diversity of CSOs in Canada means that every Canadian can find a CSO that fits their vision of the world. Accordingly, DFATD’s forthcoming civil society policy should put forward a whole-of-Department policy that outlines the objectives and directives for the government’s public engagement funding, and should reinstate or launch responsive funding mechanisms that support CSOs in this work.

¹¹ “Strength in Numbers - Metrics on the international development community in Canada,” A report prepared by Steven Ayer, Common Good Strategies, for CCIC, October 2013.

D. Multi-stakeholder Dialogue

KEY FINDINGS

A few, mainly large national organizations, have had access to government and opportunities for dialogue in recent years, although overall this dialogue has been ad hoc, driven by the government's agenda, and irregular. Since the 1970s, public policy has been enriched through CSO engagement in policy debate and dialogue with the government. This was possible, in part, because the government supported the establishment of a vibrant community of policy and research networks, and promoted regular dialogue on crucial public policy issues. Unfortunately, over the last decade, government policy development processes have not taken advantage of CSO expertise.

RECOMMENDATIONS

- **The Canadian government should establish regular institutionalized, multi-stakeholder dialogue to generate more effective development cooperation, and which is inclusive of a range of different CSOs.** Multi-stakeholder dialogue provides opportunities to tap into the combined wisdom and experience of different stakeholders around shared objectives.

E. Regulatory challenges for civil society

KEY FINDINGS

Albeit drawing from a small sample size, new regulations under the Canada Revenue Agency requiring charities to file new by-laws have generally been satisfactory, although some organizations have identified issues in revising their charitable purposes to reflect current development challenges.¹² While the survey did not necessarily identify issues related to new CRA regulations, there are emerging rules that challenge the ability of organizations to work effectively overseas, as captured in numerous concerns raised by organizations in special trainings and discussions on the issue.

RECOMMENDATIONS

- **The Canadian government should promote regular meetings between DFATD, Finance Canada, the Canada Revenue Agency (CRA) and Canadian charities operating overseas.** The development and application of CRA rules requires a thorough understanding of the specific nature and practical realities that organizations face in working in developing country and humanitarian emergency contexts, and with a range of different partner organizations.
- **CCIC should lead the sector in identifying capacity building and opportunities for dialogue with the government on the rules and regulations that apply to charities and not-for-profits, and how they impact on the work of international development organizations.**

¹² Though the number of survey respondents was very small (only eight organizations responded to the more detailed questions on the CRA process), we know from anecdotal evidence that organizations are spending enormous time and resources in the re-incorporation process and that they are concerned about the focus on political activities of recent audits and interactions with CRA, and around new associated reporting requirements.

1.0 Introduction

In February 2012, the Canadian Council for International Co-operation (CCIC), in collaboration with the Inter-Council Network of Provincial/Regional Councils for International Cooperation (ICN), released a report entitled, “Putting Partnership back at the Heart of Development: Canadian Civil Society Experience with CIDA’s Call-for-Proposal Mechanism, Partnership with Canadians Branch.”¹³ The report was released on the heels of an announcement by the Partnership with Canadians Branch (PwCB) of the winners of the first set of major calls-for-proposals, a new funding mechanism for civil society organizations (CSOs). A year and eight calls into the process, that report assessed the experience of 158 Canadian CSOs with the new mechanism.

The mechanism was established within PwCB in July 2010 by then Minister of International Cooperation, the Hon. Bev Oda, to “streamline the application process and reduce the administrative burden for project applications, leaving more money for real development work on the ground.”¹⁴ It shifted funding for CSOs from responsive programming, in place since the 1970s, to a competitive process. Historically, the former Canadian International Development Agency (CIDA) had provided “institutional funding” for proposals based on an individual organization’s own priorities and expertise, developed in collaboration with their overseas partners, and following institutional evaluations and discussions of the proposals between the organizations and CIDA. The contribution agreements signed between CIDA and organizations included up to 10% of the budget to be allocated to public engagement activities.

The 2012 report assessed the experience of Canadian CSOs with the new calls-for-proposals funding mechanism, provided a very detailed analysis of the experience of organizations with each of eight calls, identified a number of actual and emerging impacts on organizations, and made 12 recommendations to address these impacts. It has now been three years since the last major set of calls-for-proposals for under and over \$2million from PwCB, last launched in April 2011. While many of the impacts were known then, now three years later, it is very important for our community to be able to measure and report on the full impact of recent changes in CIDA/Department of Foreign Affairs, Trade and Development (DFATD).

This 2014 report builds upon the findings and analysis of the 2012 report, using many of those initial findings as a baseline upon which to assess the deepening issues and impacts arising from the changing funding modalities in PwCB (now Partnerships for Development Innovation Branch). The survey upon which this report is based has four goals:

1. To update the information on the impacts, which reduced funding from CIDA/DFATD and other government sources has had on organizations in our sector (relative to the 2012 baseline);
2. To identify other issues that are hindering their ability to act as independent development actors in their own right – an idea established in the Accra Agenda for Action and reaffirmed in subsequent meetings in Busan and Mexico;¹⁵

¹³ “Putting Partnership back at the Heart of Development: Canadian Civil Society Experience with CIDA’s Call-for-Proposal Mechanism, Partnerships with Canadians Branch,” CCIC and ICN, February 2012. Available on-line: http://www.ccic.ca/files/en/what_we_do/2012_03_Survey_Report_e.pdf

¹⁴ “Minister Oda announces next step to CIDA's Aid Effectiveness”, Canadian International Development Agency, July 22, 2010. Available on-line: <http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/cec-722111726-kxg>

¹⁵ For details, see Accra Agenda for Action, Third High Level Forum on Aid Effectiveness, September 2008. Available on line: <http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>

3. To map how organizations have responded to these impacts as a result; and,
4. To identify a group of organizations who would be willing to share their experience and the impacts with others.

The report is based on answers by CCIC, Provincial and Regional Council members to an extensive survey of 69 questions (see Annex One), completed by 138 participating organizations.

After providing a brief overview of methodological issues related to the survey, this report goes beyond the focus on funding mechanisms, to consider a broader set of issues of importance to generating an enabling and sustainable environment for civil society in which to operate. These include the following:

- an assessment of revenue trends within different sized organizations since 2010, and of the relative share of different sources of revenue for organizations, including patterns of funding for CSOs from CIDA/ DFATD;
- organizational revenue diversification strategies introduced since 2012 to address funding gaps;
- spending on, and scale and type of, public engagement activities carried out since 2012 in the context of cuts to CIDA funding for PE activities;
- participation in dialogues with government since 2012; and,
- the impact of changing regulatory processes on Canadian not-for-profits, including the incidence of audits of Canadian international development CSOs.

The analysis of this 2014 survey shows that the lack of any significant and predictable funding for the sector from CIDA/DFATD since 2011 is having a profound and detrimental impact on Canadian CSOs' capacity to deliver their programs on the ground – in terms of reduced staff, partnerships and activities. This in turn has had a negative knock-on effect on the millions of individuals with whom these organizations are working, both as partners and as beneficiaries. And ultimately, it also represents a loss for Canada's global engagement given the tremendous missed opportunity for DFATD to work with a community that has decades of experience, expertise and success in working in long-term partnerships and development outcomes overseas.

The resulting conclusions and recommendations point to the need for a new strategic partnership between the Canadian government and Canadian international development and humanitarian CSOs in the following areas:

- a) revenue diversification to reduce organizational reliance on single sources of funding;
- b) generating a range of flexible responsive and directive funding mechanisms for civil society organizations within DFATD;
- c) re-engaging the public;
- d) institutionalizing meaningful multi-stakeholder dialogue with the government; and,

Busan Partnership for Effective Development Cooperation, Fourth High-Level Forum on Aid Effectiveness, December 2011. Available on-line: <http://www.oecd.org/dac/effectiveness/busanpartnership.htm>. First High-Level Meeting of the Global Partnership for Effective Development Co-operation: Building Towards an Inclusive Post-2015 Development Agenda, Mexico High Level Meeting Communiqué, 16 April 2014. Available on-line: <http://effectivecooperation.org/wordpress/wp-content/uploads/2014/05/FinalConsensusMexicoHLMCommunique.pdf>

e) addressing emerging regulatory challenges for civil society.

Ultimately, such a partnership must support the capacity of a diversity of CSOs to engage effectively as independent actors in development cooperation and to contribute to positive sustainable development outcomes for the poorest and most marginalized – an outcome of benefit to the Canadian government and to Canadians.

2.0 Methodological Note

Coverage

The 2014 Survey was circulated to the membership of the Canadian Council for International Cooperation (CCIC), Provincial and Regional Councils and other respondents to a similar survey in 2012.

A total of 138 organizations responded to the 2014 Survey. However, not all organizations answered all relevant questions. The analysis for a given question focuses on those organizations that provided data. The number of non-responses is identified for reference, but is not included in the calculation of trends. In a few instances, the analysis also indicates where the response rate is so low that the trends indicated may not be statistically relevant.

Comparability with 2012 Survey

CCIC and the Provincial and Regional Councils implemented a survey in January-February 2012 regarding CSO experiences with the call-for-proposals mechanism implemented by the Canadian International Development Agency's (CIDA) Partnership with Canadians Branch (PwCB). Where relevant, common questions were included in the 2014 survey and trends since 2012 are drawn out in the analysis. The 2012 Survey Report can be found on-line at http://www.ccic.ca/files/en/what_we_do/2012_03_Survey_Report_e.pdf. The 2014 Survey can be found in Annex One.

While the sample size of the 2012 survey was larger (158), the profile of the sample for each survey is very close with respect to types of organizations, their revenue and staffing size. This makes comparing the data from the two surveys possible.

Analysis of survey results

Annex Two has a detailed set of tables derived from the survey, with analysis of these tables. The tables are derived from aggregating the answers provided by responding organizations. The Highlights Report draws from this detailed numeric analysis of the survey results in this Annex to frame an analysis of the main trends in the enabling environment for Canadian international development and humanitarian civil society organizations (CSOs)¹⁶ since 2010. The Highlights Report also picks up some trends from the commentary provided by respondents in response to some of the narrative questions.

Categorizing organizations by revenue size

The survey asked respondents to identify their current total revenue within the following parameters:

¹⁶ The *Siem Reap CSO Consensus on The International Framework for CSO Development Effectiveness*, Open Forum for CSO Development Effectiveness, June 2011, defines CSOs as follows: CSOs can be defined to include all non-market and non-state organizations in which people organize themselves to pursue shared interest in the public domain. They cover a wide range of organizations that include membership-based CSOs, cause-based CSOs, and service oriented-CSOs. Examples include community-based organizations and village associations, environmental groups, women's rights groups, farmers' associations, faith-based organizations, labour unions, cooperatives, professional associations, chambers of commerce, independent research institutes, and the not-for-profit media. Available on-line: http://cso-effectiveness.org/IMG/pdf/international_framework_open_forum.pdf

- Less than \$500,000;
- Between \$500,000 and \$1 million;
- Between \$1 million and \$5 million;
- Between \$5 million and \$10 million;
- More than \$10 million.

For the purposes of this summary analysis, this report has combined those revenue brackets to help define and categorize three types of organizations:

- a small organization has revenue less than \$500,000;
- a medium-sized organization has revenue between \$500,000 and \$5 million; and,
- a large organization has revenue greater than \$5 million.

Use of narrative comments

Narrative comments are quoted in the Highlights Report to provide some contextual perspective drawing on the words of respondents. The use of a particular comment is not meant to be fully representative of all respondent's views, but rather to help further illustrate and characterize the findings. Furthermore, many respondents did not provide a narrative answer where there was opportunity to do so. Finally, the comments are anonymous, as this was the basis upon which respondents agreed to complete the survey.

All relevant comments for each section are available in Annex Three.

Use of the organizational identifiers, CIDA and DFATD

In June 2013 the government passed legislation for the abolition of the Canadian International Development Agency (CIDA) and its integration into a new department, the Department of Foreign Affairs, Trade and Development (DFATD). As this survey is seeking information from respondents for the period 2012 to the present (2014), the report often uses the phrase CIDA/DFATD for trends that span these years, when both institutions are relevant. Where the reference is exclusively to the period prior to June 2013, CIDA alone is used. For commentary on the context for Canadian CSOs in the present, DFATD alone is used.

3.0 Main Highlights of the 2014 Survey

A. An Overview of Responding Organizations

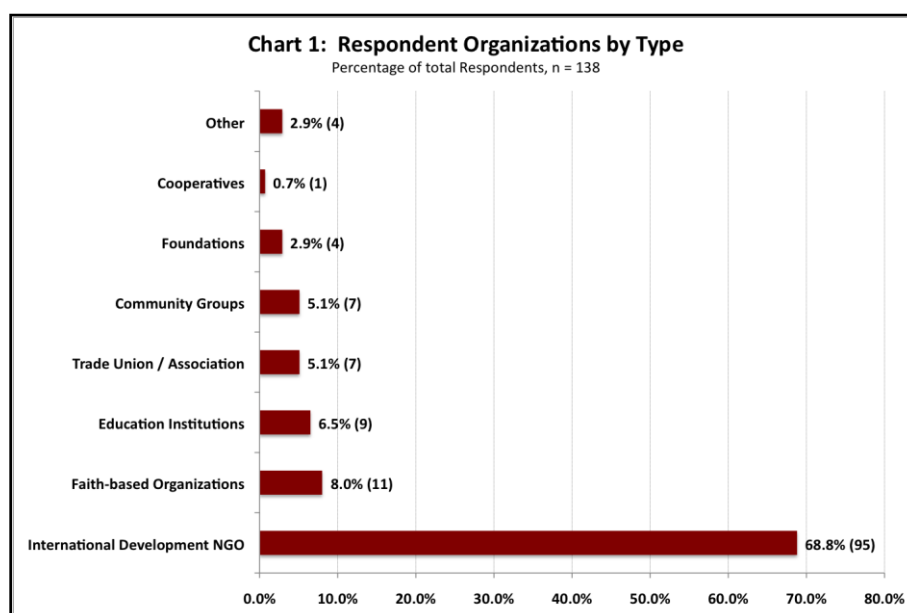
The survey was conducted through Survey Monkey between January and February 2014. Members of the Canadian Council for International Co-operation (CCIC), as well as the Provincial and Regional Councils, were asked to complete information for 69 questions. In addition an effort was made to seek responses from organizations that are not currently a member of a council, but which completed the 2012 survey. Responses were received from 138 organizations.

Main Observations

- The survey results capture a representative range of civil society organizations (CSOs) involved in development cooperation including in terms of scale (revenue), capacities (staffing), approach and regional diversity.

Types of organizations

While there is a good sample of education institutions, faith-based organizations and trade unions, more than two-thirds of the responding organizations (69%) identify themselves as an “International Development NGO” (see **Chart 1**).



Size of organizations, revenue and staffing

The survey distinguished organizations according to the size of their total revenue (the latest year – see **Chart 2**) and the size of their paid staff complement, both full time and part time personnel (see **Chart 3**).

Chart 2 divides the responding organizations into small (\$0 - \$500,000), medium-sized (\$500,001 - \$5 million) and large categories (above \$5 million) - see also the Methodological Note. Small organizations were the most numerous among responding organizations, making up 42% of the total. Just over a third of the responding organizations were medium-sized, and about one-fifth were large organizations.

Small organizations likely represent a larger actual share of the total number of organizations involved in development cooperation in Canada than is the case in this sample. Nevertheless the sample distribution by size is representative of the nature of organizations that engage in the different roles in development cooperation in the provinces and nationally. The analysis of this survey will often disaggregate the results according to size of organizations.

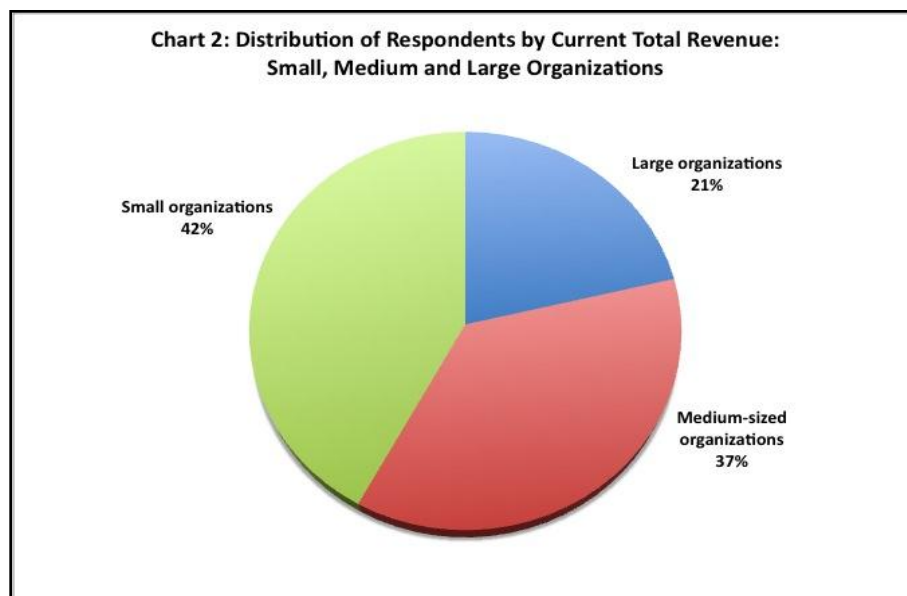
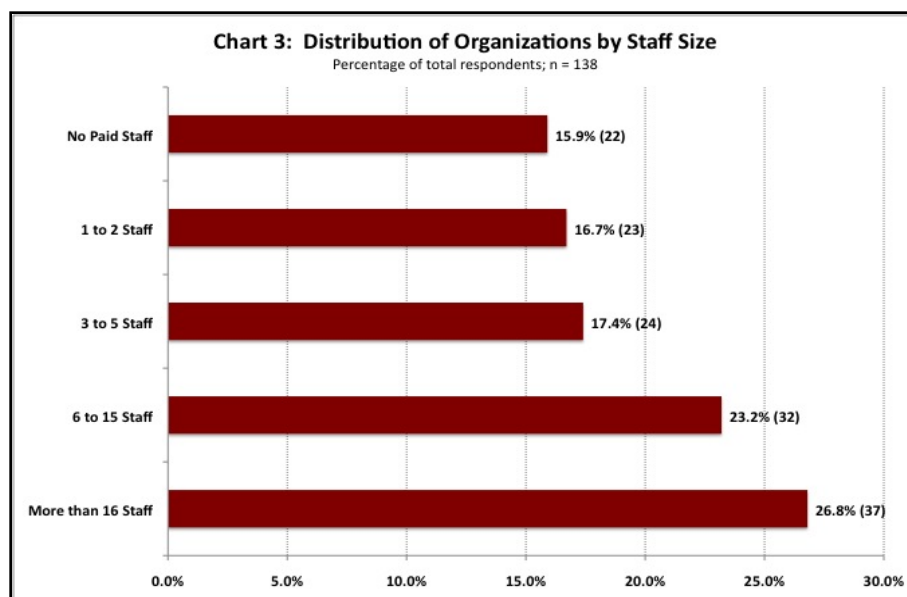


Chart 3 provides a breakdown of the respondents by the number of paid staff currently employed (either full or part time). A significant number of organizations (16%) have no paid staff or just one or two staff (17%). The proportion of responding organizations with no staff or one to two staff is larger in 2014 than 2012, when the proportions were 11% and 13% respectively. Approximately 10% of responding organizations in 2014 have only part-time staff (3 days a week or less). Organizations with no staff or only part time staff combined make up one quarter of the respondents. At the other end of the scale, 27% of the responding organizations in 2014 would be considered large in terms of staffing, with more than 16 staff.



B. Changes in Organizations' Total Revenue since 2010

Organizations were asked whether their total revenue had increased, decreased or stayed the same since 2010. They were also asked to identify the main reasons for the trend.

Main Observations

- A very significant number of organizations (57 or 44% of the sample) have experienced declining total revenue since 2010, affecting their capacity to sustain their development programs.
- Declining revenue affected small and medium sized organizations disproportionately compared to large organizations.
- More than half the organizations (55%) identified a loss of CIDA/DFATD revenue as the primary reason for this decline in revenue; when this loss is combined with declining donations, this proportion grows to 60%.
- The most pronounced increase in revenue was among ten of 16 organizations with total revenue of more than \$10 million.
- Among groups with increasing revenue, 48 % cited improved private fundraising and 30% cited greater revenue from CIDA/DFATD as the primary reason for the increase in revenue.

Changes in total revenue since 2010

Only just over half the organizations surveyed (56.1%) had total revenue that increased or stayed the same between 2010 and 2014 (**Chart 4**). The remaining 44% had declining revenue during this period.

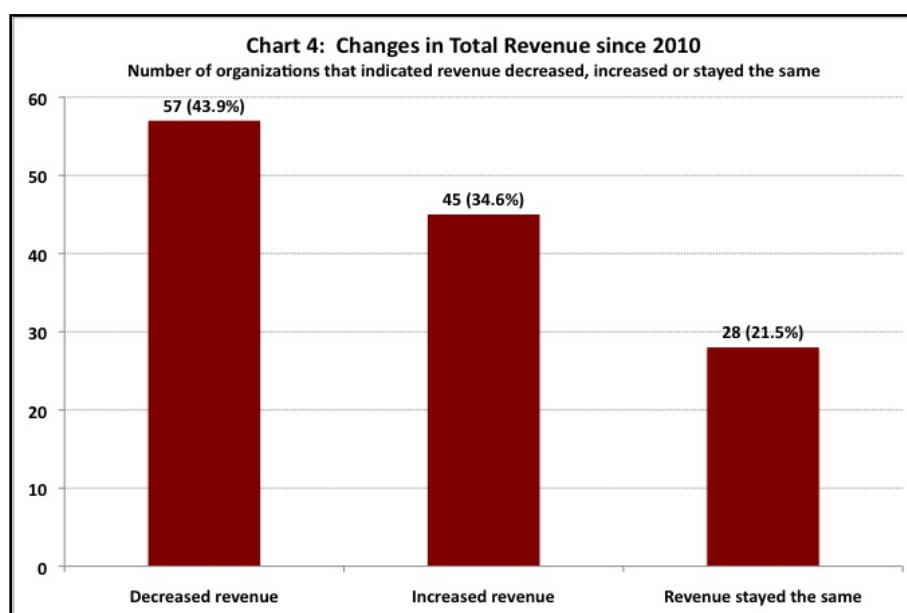
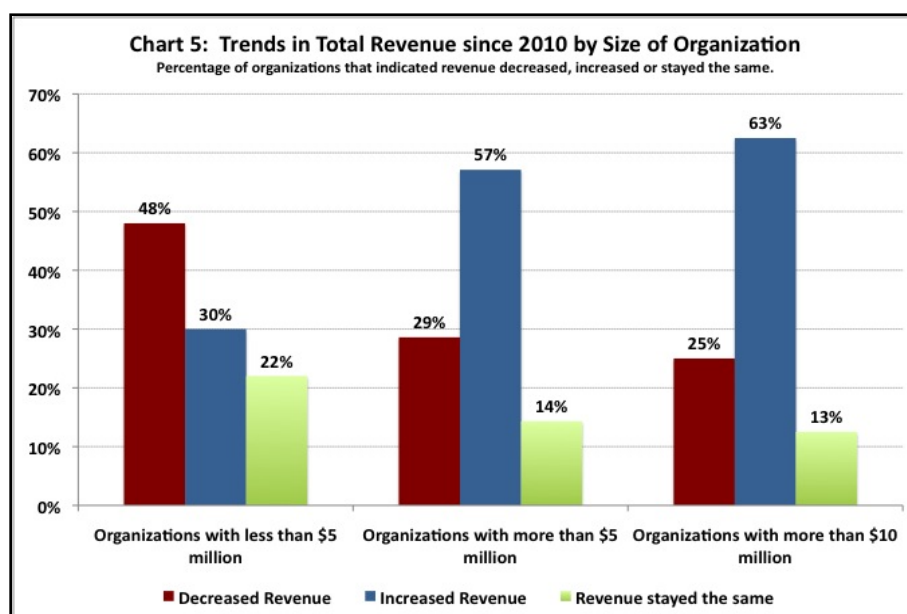


Table 7 in Annex Two describes the trends for total revenue since 2010 according to the revenue size of organizations. More than half (51%) of the small organizations had declining revenue, accompanied by 44% of the medium organizations reporting this trend. In fact, among the 100

small and medium organizations with revenue less than \$5 million, almost half (48%) reported declining revenue (**Chart 5**). On the other hand, only 8 out of 28 large organizations (29%) reported that their revenue declined since 2010.

The majority (57%) of the large organizations reported that their revenue had increased. This contrasts with only 22% of small organizations with revenue less than \$500,000 reporting that their revenue had increased over the three years. The trend for increased revenue is most pronounced among organizations with total revenue more than \$10 million.



Reasons for trends in revenue since 2010

Tables 8 and 9 in Annex Two set out the distribution of the reasons provided by respondents for either decreasing revenue or increasing revenue. Declining CIDA/DFATD revenue was the main reason for declining revenue, while improved private fundraising was the most common reason for increased revenue.

That said, among those organizations with increased overall revenue, seven out of 23 organizations (30%) identified increased revenue from CIDA/DFATD as the reason (as noted above, primarily among larger organizations).

C. The Relative Share of Different Sources of Revenue for Organizations

The survey asked each respondent to disaggregate their organization's revenue sources according to three groupings:

- Private non-governmental contributions (individual, foundations, corporations);
- Provincial government funding; and
- CIDA/DFATD funding.

Respondents were asked to indicate the percentage of total organizational revenue for each

revenue source. The results provide an overview of the relative importance of each revenue source for the organizations in the survey.

Main Observations

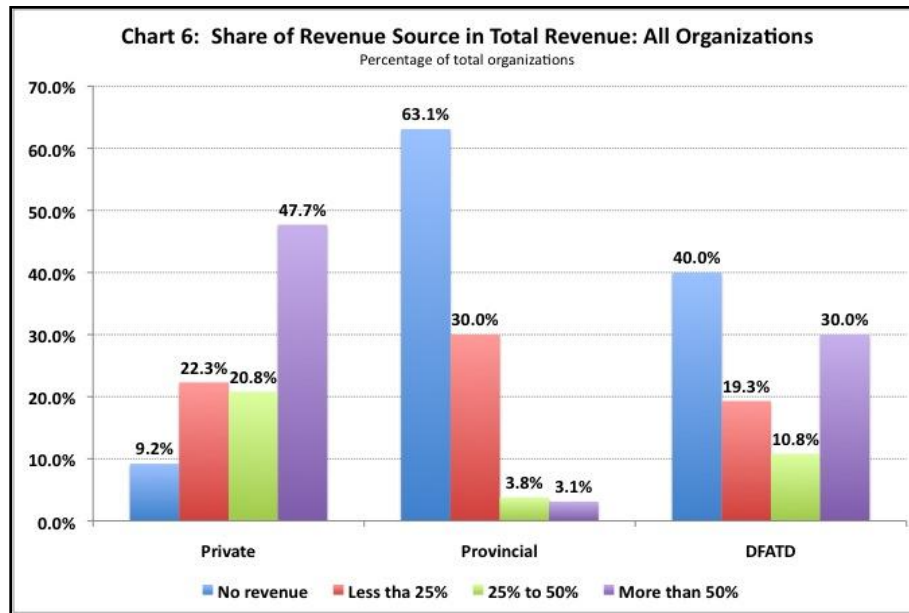
- Non-governmental (private) source of funding are a growing and very significant proportion of funding for more than 90% of all organizations in the survey. Almost half of the respondents receive more than 50% of their total revenue from private sources. Only medium-sized organizations received less than half of their revenues (at 43%) from private sources.
- There is a wide variation in terms of how much funding different organizations get from DFATD.¹⁷ For almost 60% of responding organizations, DFATD revenue makes up less than 25% of their current total revenue; for less than a third of all responding organizations, it makes up more than 50% of their revenue.
- Broken down by organizational size (see Methodological Notes), where funding from DFATD represents more than 50% of revenues:
 - small organizations: 18% (down from 21% in 2012);
 - medium-sized organizations: 43% (up from 37% in 2012);
 - large organizations: 32% (up from 27% in 2012); and,
 - very large organizations, with revenue over \$10 million: 42% (up from 28% in the 2012 survey).
- Very few organizations (9) rely on provincial revenue sources for more than 25% of their current total revenue.¹⁸ Large organizations are somewhat more likely to receive funding from provincial sources (43% of large organizations, compared to 36% of medium sized, and 35% of small organizations).

Relative importance of different revenue sources

Private non-governmental sources of revenue are important for all organizations **(Chart 6)**. Less than 10% of responding organizations receive no revenue from these sources, while 40% of organizations receive no revenue from DFATD.

¹⁷ While CCIC and the ICN encourage their members to diversify their funding, the share of revenues represented by CIDA/DFATD funding (even when more than 50%) should not necessarily be seen as creating a relationship of "dependency". Up until 2010, the relationship between the Canadian international development sector and CIDA was characterized as one of partnership that, amongst many other dimensions, included regular and long-term funding from CIDA for a variety of trusted partners, based on long-term experience and good performance.

¹⁸ The results only reflect a small pool of organizations that responded to this question. In reality, many more members of the Provincial and Regional Councils are reliant on provincial funding.



There is significant variation among organizations in terms of the proportion of revenue they derive from DFATD.

Just over one third (37%) of the respondents reported receiving revenue from the Provinces.

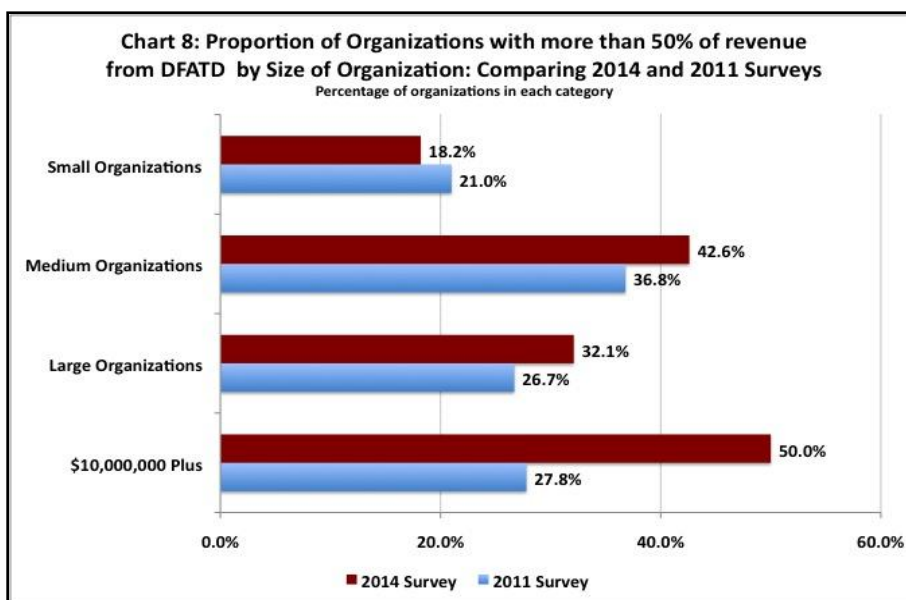
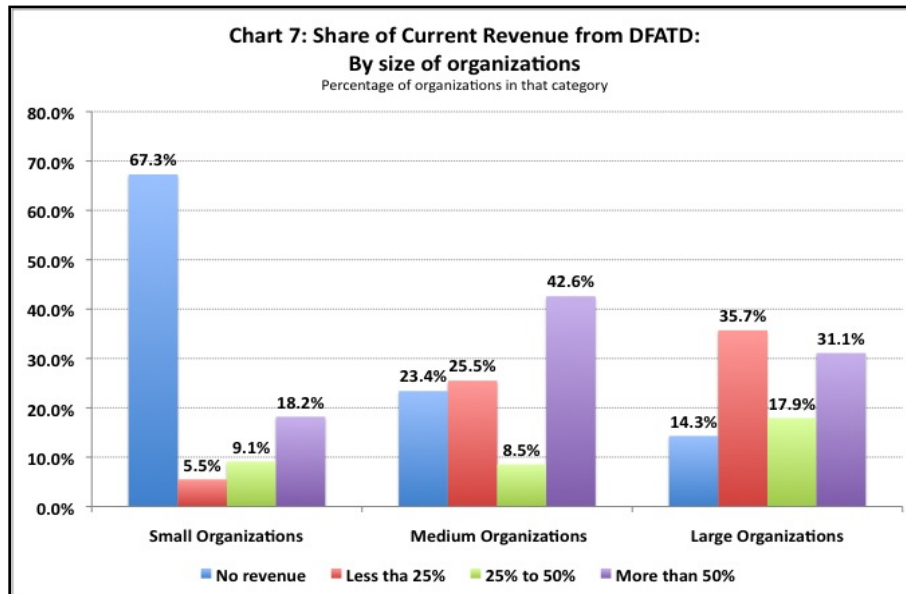
Organizational size and the importance of different revenue sources

The study examined the experience of different sized organizations with different revenue sources. In particular it looked at the amount of funding organizations received from private non-governmental sources and DFATD.

Private sources are very important for all sizes of organizations, many of whom rely on these sources of funding for their programming. Among small organizations, the majority (51%) use these sources for more than 50% of their revenue. But this is down from 57% in 2012. Large organizations also have a high proportion (50%) receiving more than half their revenue from these sources, compared to medium-sized organizations at 43%. For a segment of large organizations, i.e. those with revenue between \$5 million and \$10 million, fully 75% count on private sources in 2014 for more than 50% of their revenue, compared to 42% in 2012.

With respect to DFATD there is greater differentiation among different sized organizations in terms of their use on this source of revenue. More than two-thirds (67%) of small organizations get no revenue from DFATD (**Chart 7**), just under one quarter (23%) medium-sized get no revenue, and only 14% of large organizations do not get revenue from DFATD.

On the other hand, 43% of medium-sized organizations get more than 50% of their revenue from DFATD, with 32% of large organizations receiving more than 50% from DFATD, and only 18% of small organizations.



Interestingly, the proportion of large organizations that get more than 50% of their revenue from DFATD has grown modestly between 2012 and 2014 from 27% to 32%. But for very large organizations with revenue more than \$10 million, this proportion has grown much more substantially, from 28% in 2012 to 42% in 2014 (**Chart 8**). The proportion of medium-sized organizations getting more than 50% from DFATD has also grown from 37% to 43% since 2012. The proportion has declined only for small organizations.

D. Analysis of Patterns in CIDA/DFATD Funding for Canadian CSOs

The survey asked a series of questions on the experience of Canadian CSOs in their funding relationships with CIDA/DFATD. Of the 138 responding organizations, 112 indicated that they had

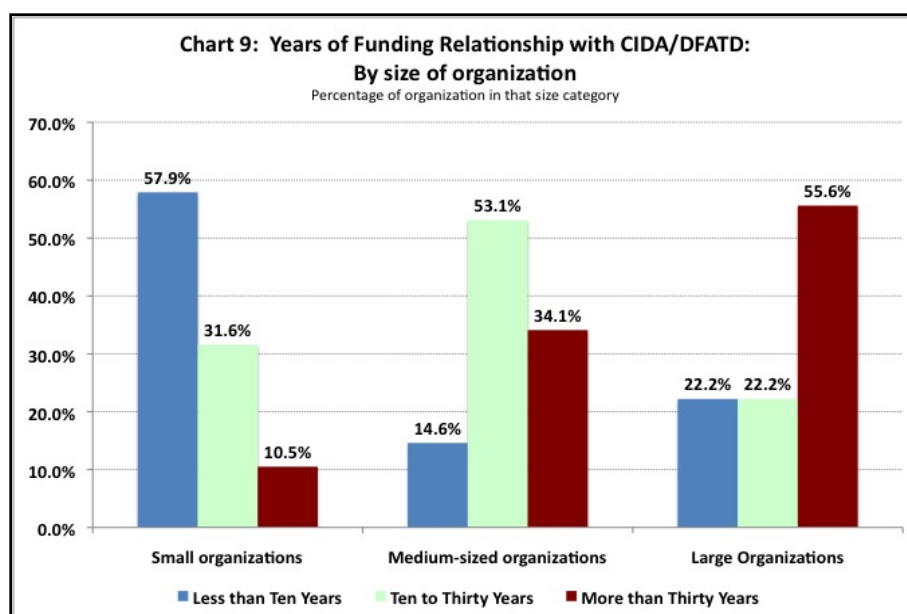
received CIDA/DFATD funding in the past (but may not necessarily be currently receiving funding).

Main Observations

- Large and medium-sized organizations are much more likely to have a long history of funding with CIDA/DFATD, than small organizations.
- Funding relationships with CIDA/DFATD have been relatively stable for many CSOs over a long period.
- This stability has been undermined in recent years. Fully 40% of the organizations with a history of funding from CIDA/DFATD currently are receiving no funding. For small organizations, this proportion grows to more than 70%.
- Current funding status with DFATD is a critical indicator of trends in organizational revenue since 2010. Among organizations with past funding from CIDA and declining revenue since 2010, more than half are not currently receiving DFATD funding. On the other hand, 70% of organizations with a history of CIDA funding and increasing revenue since 2010 are currently receiving DFATD funding.
- Funding from PwCB has also become less important (although still significant) in the current profile of DFATD funding for Canadian CSOs relative to 2012, with a decline in the number of organizations receiving more than 50% from PwCB (from 63% of organizations in 2012 to 56% in 2014). This decline is likely a manifestation of the general decline in the number of overall organizations receiving PwCB funding – probably as a result of the absence of calls and expiring contribution agreements.
- More than three-quarters (77%) of medium-sized organizations receive more than 50% of their DFATD funding from this Branch, compared to less than half (43%) of large organizations.
- Of the 25 organizations receiving funding from either Multilateral or Geographic Branches, 20 are large, only four are medium-sized, and one is small.

Characteristics of CIDA/DFATD funding for CSOs

A majority of large organizations (56%) have a history of funding from CIDA/DFATD for more than 30 years. One third (34%) of medium-sized organizations have had this history with CIDA/DFATD, compared to only 11% of small organizations (**Chart 9**).



When asked whether the funding relationship has been ongoing or periodic, two-thirds responded either that it has been ongoing or that it has been periodic for part of the history of this relationship and then ongoing.

In recent years this stability in the funding relationship – so necessary for consistent long-term programming with southern counterparts – has been undermined. Currently 41% of organizations with a history of funding from CIDA/DFATD are not receiving funding. (**Chart 10**)

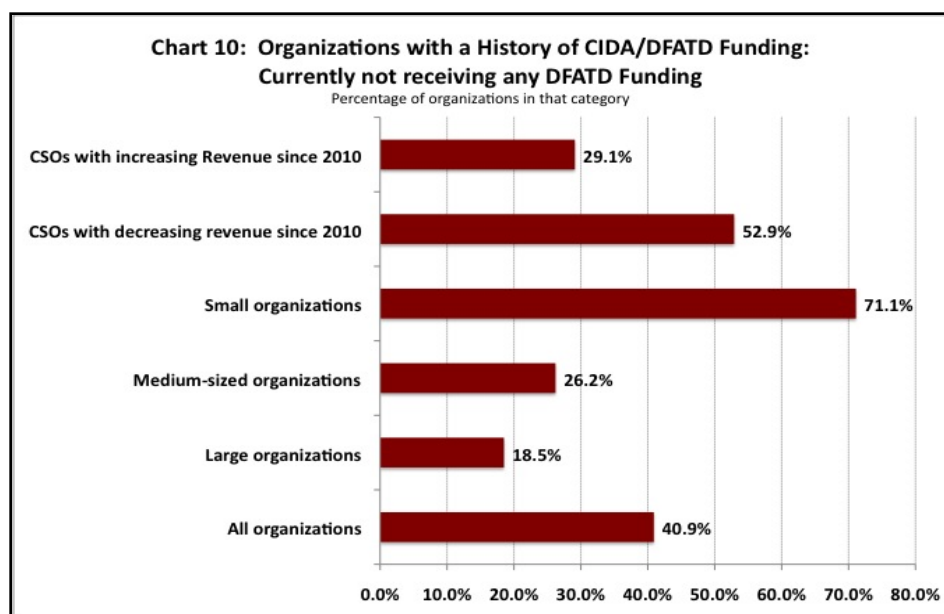
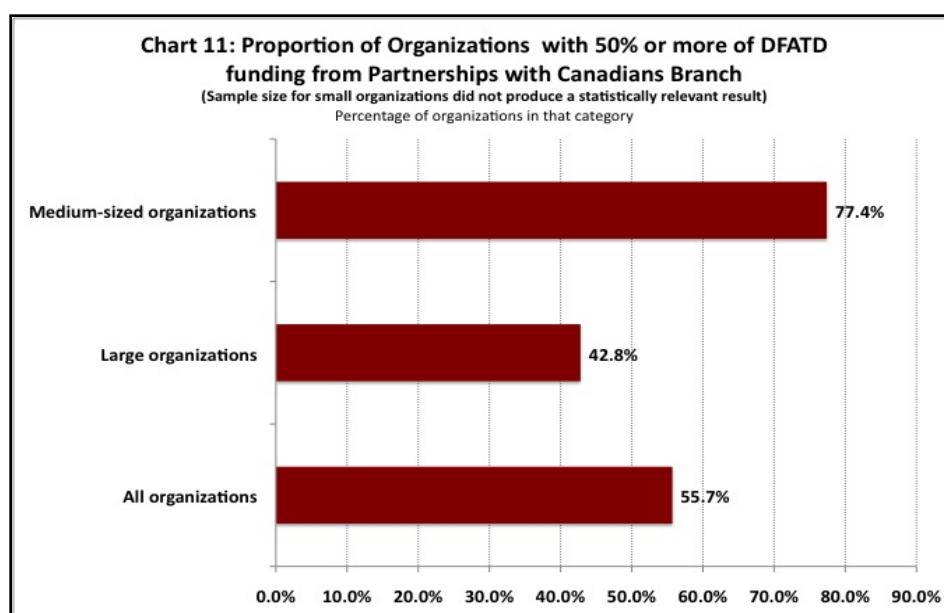


Chart 10 indicates a considerable variation in the current status of funding with DFATD between different sizes of organizations, but small organizations have clearly been hit disproportionately. More than 80% of large and 74% of medium-sized organizations currently have a funding relationship, but less than 30% of small organizations are receiving funding.



Funding from PwCB has also become less important (although still significant) in the current profile of DFATD funding for Canadian CSOs relative to 2012 (**Chart 11**). Currently 56% of organizations receive more than 50% of their funding from DFATD's PwCB – in 2012, it was 63%. This decline is likely a manifestation of the general decline in the number of overall organizations receiving PwCB funding - absence of calls and expiring contribution agreements.

E. Issues arising from the changing funding modalities in CIDA/DFATD Partnership with Canadians Branch (PwCB)

In June 2010 the Minister for International Cooperation announced that CIDA would implement call-for-proposals as the exclusive funding modality by PwCB for Canadian CSOs. General calls (for under and over \$2 million) were issued in April 2011, and there have been no new general calls-for-proposals since then. The 28 organizations in the sample with expiring contributions agreements with PwCB since 2011 have had few alternative avenues for CIDA/DFATD funding.

Main Observations

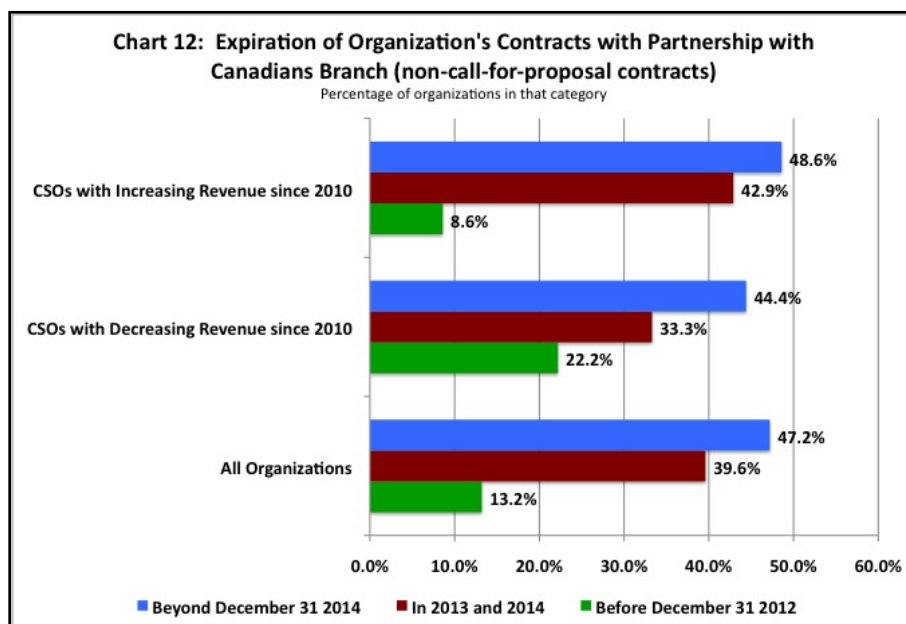
- More than 40% of the organizations with increasing overall revenue since 2010 and with existing contribution agreements (not related to calls-for-proposals since 2010), have those agreements expiring in 2013 and 2014. With few alternatives for these organizations within DFATD, expiring agreements may reverse their trend of increasing revenue after 2014.
- Timely responses to proposals submitted to DFATD remain a serious challenge. More than half of the responding organizations reported wait times for assessment of proposals submitted to CIDA/DFATD of more than 12 months.
- Successful proposals in the various calls since 2010 showed a bias in their outcomes towards larger organizations, to the detriment of small and medium-sized groups. While more than half the large organizations and about a third of the medium-sized organizations were successful, only six small organizations indicated that they were successful in a call-for-proposal.
- Success in a call has made a difference in an organization's revenue trend since 2010, with close to two-thirds (61%) of those with increasing revenue also reporting success in a call-for-proposal.
- Still 46% of organizations with decreasing revenue during this period also reported a success in a call-for-proposals. Clearly, revenue from these calls for these organizations was not sufficient to replace lost private or previous CIDA/DFATD revenue for these same organizations.
- While timely announcements of the outcome of calls remains problematic, contracts were negotiated within a reasonable timeframe for two thirds of successful organizations.
- The vast majority also reported no significant changes to the original proposal in the negotiation of contribution agreements.

Expiring contracts in PwCB (excluding calls-for-proposal contracts)

Approximately 40% (or 21 organizations) of all CSOs with pre-2012 PwCB contribution agreements reported that these have either expired in 2013 or will expire in 2014 (**Chart 12**).

Half of these organizations have been receiving more than 50% of their total revenue from DFATD. But half again were also successful in a call-for-proposal, mitigating perhaps in the short term the loss of DFATD revenue, for at least a portion of them. However, with the absence of any new major

calls-for-proposals since April 2011, the growing number of organizations with a history of funding from CIDA – but no current funding from DFATD (41% of organizations with a CIDA history) – has been less lucky.



Timely assessment of proposals submitted to DFATD

The timely assessment of proposals submitted to DFATD remains very problematic. More than half the projects (52%) submitted to CIDA/DFATD had “a formal response, but after an unacceptable long period of silence.” From an organizational point of view, 57% of the organizations that submitted projects had wait-times of more than 12 months for one or more their projects.

Organizational outcomes of Call-for-Proposals Mechanisms

The outcomes of the calls-for-proposal for Canadian CSOs were highly biased towards the larger organizations, likely accounting for the notable recent decreases in revenue from DFATD for small organizations. (Chart 13)



While the call-for-proposal mechanism clearly benefited organizations that reported overall increased revenue since 2010 (61% were successful in a call-for-proposal), still 46% of organizations with decreasing revenue during this period also reported a success in a call-for-proposal. Clearly, revenue from these calls for these latter organizations was not sufficient to replace lost private or previous CIDA/DFATD revenue for these organizations.

Negotiation of contribution agreements

For organizations that were successful in a call-for-proposals, two-thirds reported that negotiations for a contribution agreement were completed in less than 6 months. But another quarter indicated the negotiating period was between 6 months and a year. Only three proposals stretched beyond a year.

F. Implementing the Call-for-Proposals Mechanism in 2010: Impact of changing CIDA/DFATD funding modalities on CSOs

The survey asked respondents to indicate the main impacts on their organization's work from the implementation of the PwCB competitive call-for-proposals' modality. In particular they were asked to document any impact on the organization's staffing levels, the level of activities on the ground, and the continuance of partner relationships. Many respondents also provided substantial narrative commentary on the implications of these impacts on their programs and partnerships. A full set of comments can be found in Annex Three.

Main Observations

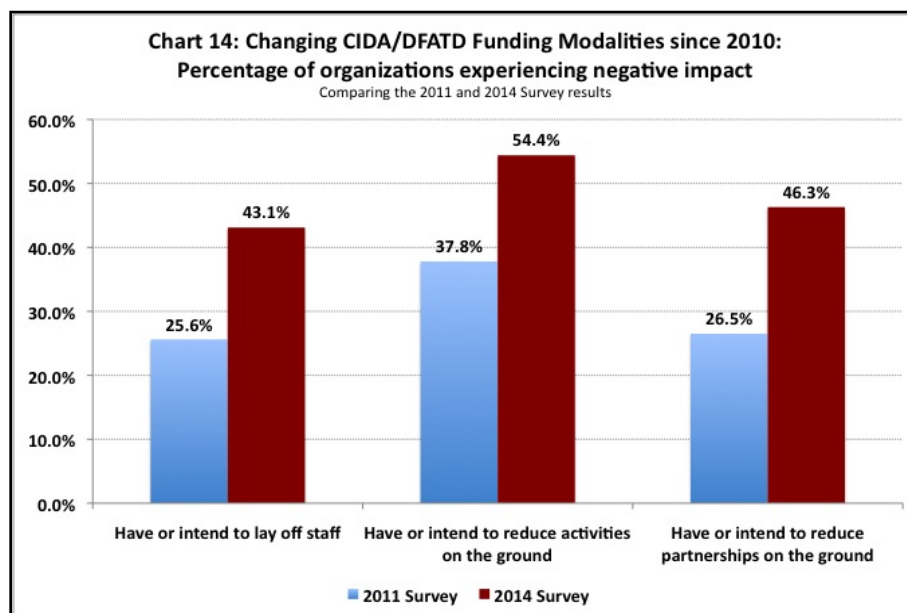
- The shift in funding modalities in PwCB since 2010, the absence of general calls, and the expiration of existing contribution agreements, has had deep and profoundly negative impacts on many Canadian CSOs. It has affected their capacities to sustain programs, reduced and artificially changed their activities in many developing countries where they have had a long history of involvement, and challenged partnerships that have been central to their work. In the words of one respondent, "this new system has been a colossal failure in every way for the development sector in Canada, and has devastated partnerships with civil society overseas."
- Impacts over the past three years are particularly severe in three areas,
 - Through actual or planned cuts in long-standing partnerships for almost half of the organizations surveyed (46%).
 - Through major reductions in the diversity of Canadian CSO activities on the ground for more than half (53%) of the organizations surveyed; and,
 - Through a significant reduction in staffing, reported by 43% of the organizations surveyed.
- While all sizes of organizations have been affected, medium-sized organizations have been the most affected by the policy and funding changes in PwCB, with 54% of these organizations reporting that they have had to reduce the size of their organization, reduce activities on the ground and reduce their partnerships. Large organizations, with greater access to a diversity of DFATD funding windows, were less affected, but a significant portion (40%) of them still reported negative impacts. Survey respondents from small organizations seemed to be less affected, due to relatively low levels of funding from PwCB prior to the changes in 2010.
- Canadian CSOs have been adversely affected by many changes in their working environment, overseas and in Canada, but there can be no doubt about the main cause of these dramatic changes since 2010 – the shift away from institutional funding relationships to the call-for-proposals mechanism, and absence of timely and predictable new funding opportunities for

organizations to replace former CIDA funding.

- Among all the organizations that reported reductions in their organization's staff and program, the following proportions indicated that these different types of reductions were the direct result of the shift to the call-for-proposals mechanism:
 - 73% of those that reduced the number of partnerships;
 - 62% of those that reduced activities on the ground; and,
 - 48% of those that reduced staff.
- Organizations that have not had to make such dramatic adjustments to their organization and programs nevertheless point to a number of impacts on their operations:
 - high levels of uncertainty and lack of predictability, which is affecting their capacity to plan;
 - disruptions to longer-term programs as a result of having to respond to short-term DFATD call priorities; and,
 - an overall absence of collegial dialogue with CIDA/DFATD in developing co-financed programs.

Organizational impacts: Staff layoffs, reduced activities on the ground, and reduced partnerships on the ground

Chart 14 compares projections by organizations responding to the 2012 survey and their situation in 2014 regarding the impacts of the call-for proposal mechanism on their organization. While in 2012, 26% of responding organizations were intending to lay off staff, by 2014 this proportion had grown to 43%.

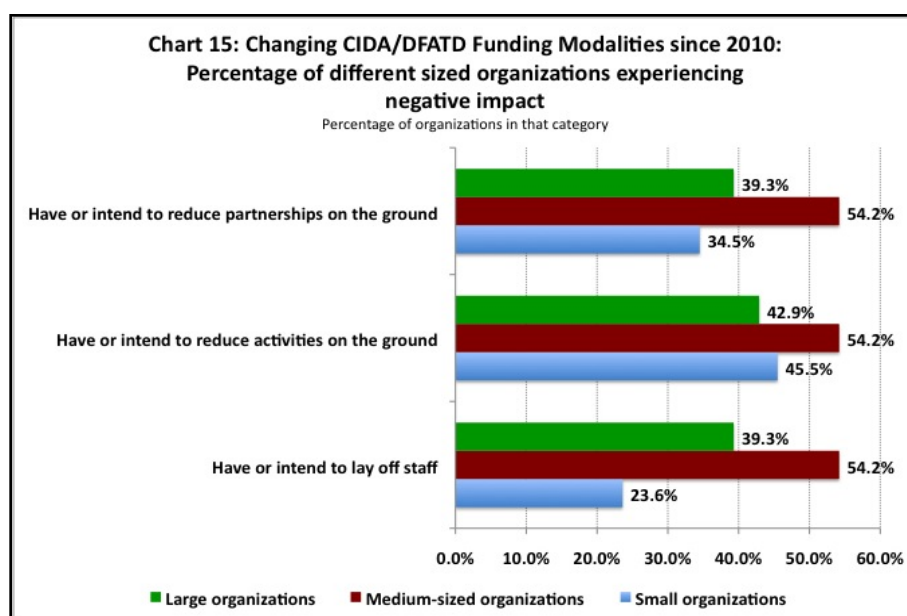


Reduced organizational capacities clearly affect the sustainability and quality of the organization's programs; the impact on partnerships is also quite profound. In 2012 only 27% of the organizations were compelled to take drastic action in reducing working partnerships, but by 2014 this proportion has almost doubled to 46%. A significant number (38%) of organizations in 2012 were expecting to reduce activities on the ground, and by 2014 this proportion has grown to more than half (54%).

Among those organizations that reported reductions of programming and partnerships, 62% and 73% respectively pointed to the impact of loss of institutional funding and the rolling out of the call-for-proposals mechanism as the reason. This reason was given by 48% of organizations that have had staff layoffs, where there has likely been a more complex set of factors influencing these decisions.

Differential impacts by organizational size

The impact of the change in the PwCB funding modality has had a differential impact on organizations of different sizes (**Chart 15**).



Among medium-sized organizations, 54% have had to make substantial adjustments in staffing, programming and partnerships. Large organizations, with greater access to a diversity of DFATD funding windows, were less affected, with about 40% of organizations reporting negative impacts. Small organizations were least affected, due to relatively low levels of funding from PwCB prior to the changes in 2010.

When asked to identify the number of projects affected by reduced activities on the ground, 34 organizations (out of 54 that had reduced activities) highlighted 440 projects in total, averaging 13 projects per organization.

Other qualitative impacts of the call-for-proposals mechanism on the capacities and programming of Canadian CSOs

Many respondents, whether affected directly or not, raised a range of impacts on the quality of their programs through narrative commentary (see Annex Three and selected quotes below):

- Heightened uncertainty, no predictability in DFATD funding opportunities;
- Lack of direct engagement and dialogue with DFATD for shared programming;
- Unexpected increased programming and fundraising costs, and the need to work with partners to identify alternatives to bridge reduced support, and to seek other funds;

- Artificial shifts in organizational priorities and phasing out of partnerships due to shifts in CIDA/DFATD call-for-proposals themes;
- Need to redesign longer-term projects, with reduced ability to plan for outcomes in a complex development environment where change happens over time;
- More single country-focused projects, and less capacity and resources to support multi-country programming and sharing lessons across countries;
- Difficulty identifying alternative revenue sources that will support the basic infrastructure of the Canadian organization; and,
- Difficulty sustaining work with partners, building on the positive outcomes from one phase of a program through innovation and extension into a further phase.

A Selection of Respondents' Commentaries

The following is a selection of quotes from the commentary of respondents relating to the impact of the changing funding modalities on their organization.

Impact on the ground with partners ...

"... our Latin American partners have had to make changes to their activities, though many of them continue to do the same work just with less funding (therefore, lower or no salaries, less staff, less support for administration, etc.)."

"[Our] CIDA co-financing program ended in March 2013. That program provided a significant amount of funding for global partner work (about \$900,000 per year for four years) that simply can't be replaced from [other organizational] resources."

"Pour la première année de coupure nos partenaires, en collaboration avec nous, ont réussi à conserver leur personnel. Les activités terrain ont diminué, mais nous avons au moins conservé l'expertise. En République dominicaine, les effets se feront sentir en mars 2014. Notre partenaire perdra alors un appui financier de l'Union Européenne, le seul partenaire financier qu'il leur restait."

"[Our organization] has sought to find new or additional funding to make up for the 50% cut to Latin American partners' funding represented by the loss of CIDA/DFATD funding. While we succeeded for this current fiscal year (2013-14) to secure additional funding for some partners, none of it is committed beyond this year, and we were not able to find additional money for each partner. The impact of the 50% cut to our Latin American partners will continue to be felt in the years to come."

"Nous n'avons donc pas mis fin à des partenariats comme tels, mais des partenariats se sont arrêtés, par la fin d'un projet, sans possibilité de poursuivre avec un autre financement. Nos partenaires se sont tournés vers d'autres coopérations pour continuer à travailler. Du point de vue des partenaires, je pense que de façon générale, ils pensent que les financements canadiens sont lents à venir, lourds à administrer, et parfois (souvent ?) ne viennent pas du tout."

“Our partners have had to seek funding elsewhere. They lament the loss of Canadian funding, as Canadian funding allowed them to pursue their own priorities in their own way. The new wave of funding from international Foundations such as Gates and Bloomberg has imposed external priorities on the work of local partners.”

“... Ground-breaking and innovative work on food security ... will not be able to continue without [our organization’s] support.”

“While we haven’t had to end any partnerships yet, we have had to scale back considerably. These same partners have been affected by other Canadian and European partners that are also scaling back, or ending partnerships; so they have been hit from many different angles. Many staff lay-offs in partner organizations, a great loss of experience and organizational knowledge, relationships with beneficiaries severed or undermined. Rights-based and sustainable programming of partners undermined.”

Impact on Canadian development organizations ...

“La survie de notre [organisation] est carrément remise en question. Pour la prochaine année financière (2014-2014), nous faisons présentement des pieds et des mains pour trouver une formule qui nous permettra de survivre, en coupant le moins de postes possible pour être en mesure de rencontrer nos engagements (stages, sensibilisation, petits projets avec des fondations ...).”

“We like “competitive call” for proposals, but we do not like “no call” for proposals. When there are no calls, it is not possible to be financial viable, retain staff and plan.”

“The lack of calls threatens the viability of the organization and our ability to plan with partners and recruit volunteers at a time when our private fundraising has never been higher. We are leveraging DFATD support into private support, but could not continue without public funding.”

“Since there have been no competitions in the last three years, I would say that the competitive process is better than nothing! But nothing would be better than going back to the process of working collaboratively on ideas with DFATD officers.”

“We are bare bones and survival is questionable.”

“This model introduces a much higher level of uncertainty, increases program development and institutional fundraising costs, undermines our capacity to retain highly sought-after professional staff and, of greatest concern, undermines our capacity to work with partners in a way that is respectful and transparent.”

“It has meant a lot of time dedicated to preparing proposals with no guarantee of having them approved. Given the not-for-profit nature of our organization, we can’t build in profits that can allow us to pay for time spent developing proposals. The previous system was much more advantageous as we worked

together with our CIDA officer to ensure that the quality of our proposal would be in line with CIDA's expectations and priorities. Therefore, this was a more efficient use of our time."

"We expect to lose 47% of our budget after our current CIDA/DFATD funding expires."

"We have had to put a lot of energy into finding other sources of funding. But the major impact is that without Canadian funding, it is very difficult to get our Canadian staff paid for their international development work. Foundations and other bilateral donors do not want to see their funds go to Canadians necessarily. This means that we can no longer proudly wave the Canadian flag in our development activities."

"We lost many staff as a result of uncertain future this has big impact on our capacity for monitoring and evaluation. Program development is also a great challenge, but we have continued to scale up pre existing programs with fundraising dollars."

G. Revenue Diversification Strategies

The 2012 survey asked respondents how they planned to make up for any lost revenue due to the shift to the call-for-proposals funding modality. Three years later, the 2014 survey asked respondents to describe their revenue diversification strategy since the first survey. The 2014 survey also sought information on trends in institutional funding sources for Canadian CSOs beyond PwCB in DFATD.

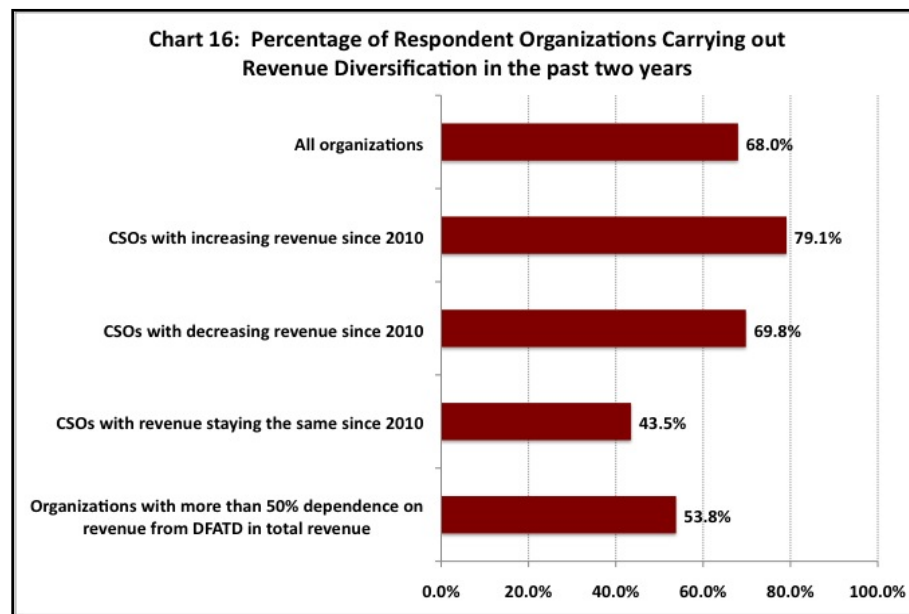
Main Observations

- More than two-thirds of respondents in 2014 indicated that they had developed a revenue diversification strategy in the past two years.
- The motivation to develop a revenue diversification strategy has been strong for both organizations with increasing and with declining revenue since 2010. However, for organizations that indicate their revenue has remained constant, more than half have no revenue diversification strategy.
- Only half the organizations that receive 50% or more of their revenue from CIDA/DFATD are carrying out a revenue diversification strategy.
- The outcomes of these revenue diversification strategies have been either moderately successful to date (41%) or successful (22.7%).
- The top four sources of institutional finance for Canadian CSOs since 2012 have been 1) private foundations; 2) the private sector; 3) provincial governments; and 4) other NGOs.
- In terms of growth trends for the top four institutional sources in 2012, all have been increasing or staying the same for many respondents over the past decade, with the exception of finances from provincial governments, which have declined.
- Access to private sector revenue has been growing over the past decade for 60% of the respondents and is spread equally across all size categories of organizations.

Revenue diversification strategies since 2012

In 2012 few organizations had clear plans for revenue diversification in response to the loss of institutional funding modalities in PwCB. Since then, existing PwCB contracts have continued to expire and there has been no new general calls-for-proposals. By 2014, more than two-thirds of the respondents (68%) indicated that they had developed a revenue diversification strategy in the past two years. **(Chart 16)**

There is some differentiation among organizations with regards to revenue diversification. Interestingly only slightly more than half (54%) of the organizations that get more than 50% of their total revenue from DFATD have a diversification strategy. Similarly, less than half (44%) of the organizations with revenue that has remained the same since 2010 have a strategy.



In contrast, a much larger number of organizations both with increasing and decreasing revenue since 2010 have a revenue diversification plan. For those organizations with decreasing revenue, carrying out a diversification plan may have increased revenue, but it may have not reversed what are likely larger declines in revenue since 2010, mainly from DFATD.

The majority of organizations indicated that their revenue diversification strategies have been either moderately successful to date (41%) or successful (22.7%). Others (36.4%) suggest either that it is too early to tell or that so far they have not had success.

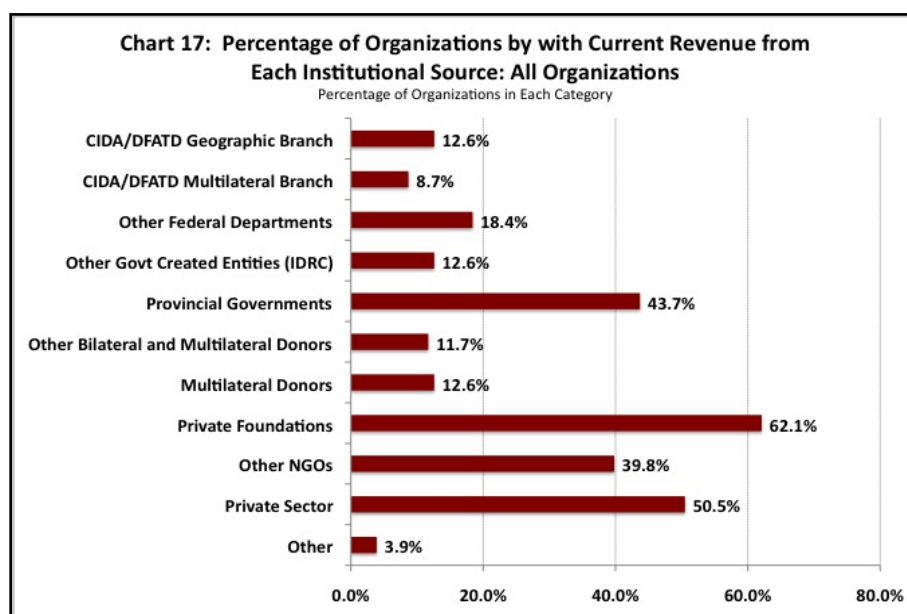
Access in 2012 to different institutional sources beyond PwCB

For all organizations, the top institutional sources of finance beyond PwCB in 2012 were as follows:

- 1) private foundations (62% of all respondents);
- 2) the private sector (51% of all respondents);
- 3) provincial governments (44% of all respondents); and,
- 4) other NGOs (40% of all respondents).

Other sources – CIDA/DFATD Geographic Branches, Multilateral Branch, other government entities

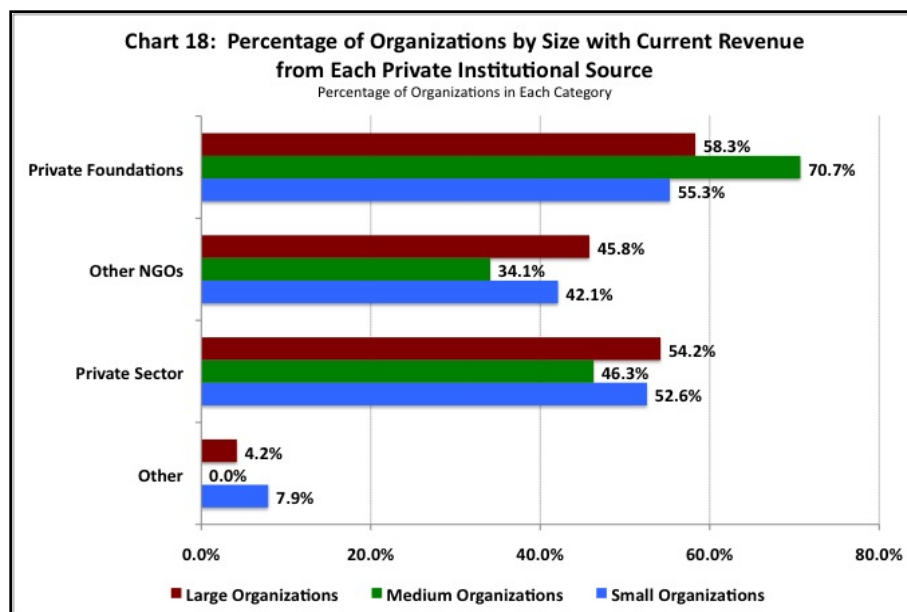
(International Development Research Centre (IDRC)), other bilateral donors, and multilateral donors – have been important for a much smaller number of organizations (averaging around 12%). (**Chart 17**)

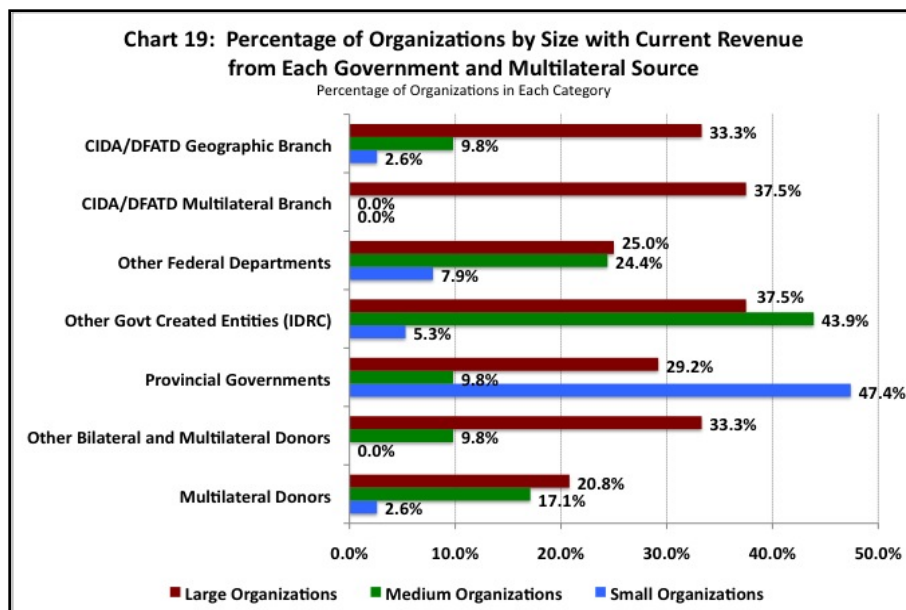


Small organizations have concentrated their institutional fundraising among the top four sources noted above, with very little access to other governmental sources, including to IDRC. (**Charts 18 and 19** below)

Medium-size organizations are slightly more diversified, but more than 70% indicate that they receive funding from private foundations (the largest proportion among the different sized organizations).

Large organizations, as might be expected, are highly diversified across many of the different institutional sources, which presumably provides greater flexibility in responding to increasing and declining revenue from any one source.

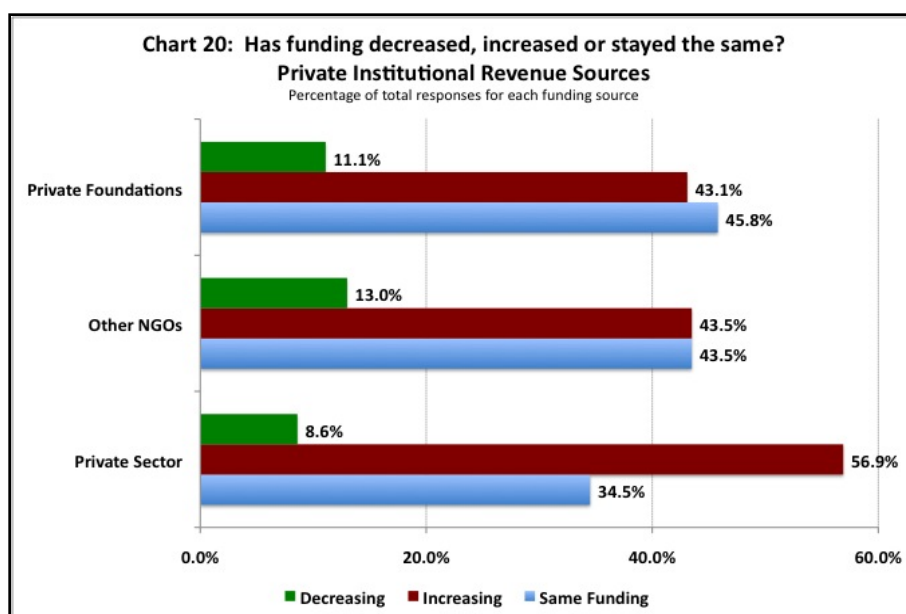




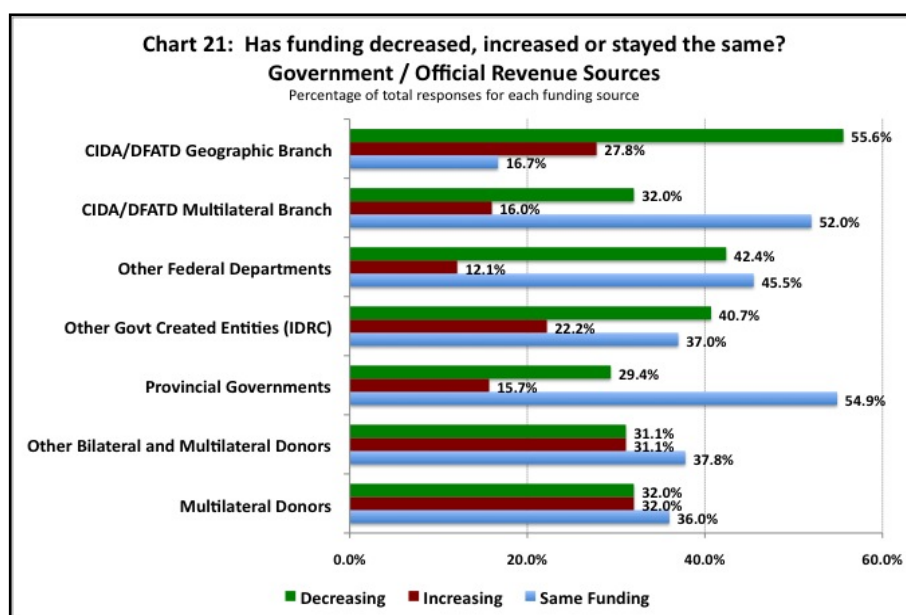
Trends in the different institutional sources of revenue over the past decade

While there has been growing diversification of revenue sources for many CSOs, the trends (increased, decreased or stayed the same) for some important sources over the past decade provide some positive directions for many CSOs. For three of the top four funding sources noted above the trend has been towards increasing or stable revenue from this source. Only provincial sources have been declining for a significant number (29%), but still 55% suggest that this revenue source has remained the same.

There is significant differences between private sources (**Chart 20**), which have been growing or staying the same for many organizations, and Canadian and international government and other official sources (**Chart 21**), which have been decreasing. With respect to the private sector, 57% indicated that financing from this source has been growing for their organization.



On the other hand, 57% of respondents suggest that financing from DFATD Geographic has been declining for their organization, with others following this trend – Multilateral (32% decreasing), other Federal Departments (42% decreasing) and other Federal entities such as IDRC (41% decreasing). However for a relatively small number of organizations, financing from DFATD Multilateral and other Federal Departments has remained the same over the past decade.



H. Spending on public engagement

The 2014 survey developed a profile to determine how responding organizations are working on public engagement (PE), and provided questions to help explore the consequences on PE of changing funding. Using a broad definition of public engagement in the survey (see Table 39 in Annex Two), 105 of the 138 responding organizations have had some experience with public engagement. These 105 organizations were then analyzed accordingly.

Main Observations

- There is a wealth of experience in PE in the community, with three quarters of the 105 organizations who provided answers to this section indicating they have been implementing PE for more than 20 years, and more than 90% for more than 10 years.
- The majority of organizations engaged in PE devote less than 10% of their resources to these activities, with small organizations much more likely to allocate larger shares of their revenue to PE.
- More than two-thirds of organizations indicated that they replaced the PwCB allowable allocation of 10% to PE with their own resources; this sits in contrast to the 2012 survey findings, where organizations for the most part indicated that they did not intend to do so.
- The top three sources of finance for PE activities are 1) private individual donations; 2) CIDA/DFATD;¹⁹ and 3) corporate donors.

¹⁹ These were two separate questions. People did not say that they replaced the 10% money with other

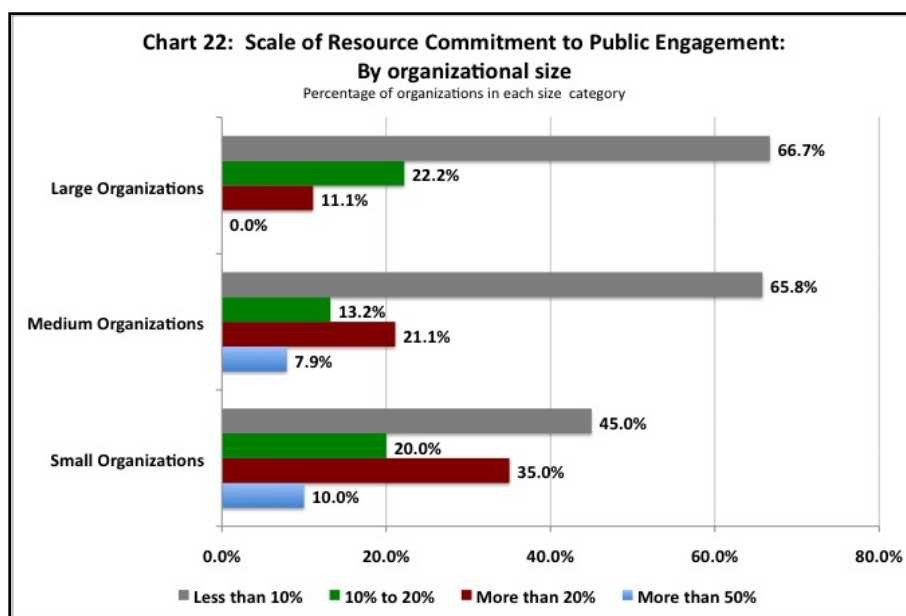
- Spending on PE has been somewhat stable over the past five years, and particularly so for the 25 organizations devoting more than 20% of their revenue to these activities.
- Allocations to PE activities have been less stable for the 80 organizations devoting less than 20% on PE (the majority of organizations working with PE), with close to 40% of these organizations reducing this investment.
- Public engagement is still focused on an array of objectives. The most popular PE objectives identified by respondents are “raising awareness about particular issues,” “information sharing about organizational programs,” and “changing broad attitudes.” The lowest ranked objective is “advocacy,” followed by “empowering target populations.”
- Among responding organizations, about a third (34%) ranked “fundraising” among their top three PE objectives, and about a third (36%) ranked it as their least important objectives.

How long have organizations been carrying out public engagement activities?

The vast majority of organizations (75%) indicated that they have been doing PE for more than 20 years, and 93% of the organizations for more than 10 years. There is therefore a wealth of PE experience in the community.

The scale of resources devoted to public engagement

More than half the organizations (61 of 105, or 58%) devoted less than 10% of their revenue to public engagement, with little distinction by size of organization. At one end, two-thirds of medium-sized and large organizations invested this level of resources in PE. At the other, 45% of small organizations devoted less than 10% to PE. (**Chart 22**)



Interestingly, however, small organizations were much more likely (35%) to invest more than 20% of their revenue in PE, compared to medium-sized organizations (21%) and large organizations (11%).

CIDA/DFATD money (since the 10% allocable to PE funding would no longer have been allowable). Nevertheless, when asked what the main sources of funding they used to replace former PE funding, they did identify CIDA/DFATD, but with no explanations.

Four out of seven organizations devoting more than 50% of their revenue to PE were small organizations, and the remaining three were medium-sized organizations.

Council membership and public engagement support

Those organizations that are exclusively members of one provincial or regional council are more likely (27%) to devote more than 20% of their resources for PE, compared to 18% of organizations that are members of more than one council. The latter are often national organizations.

Sources of funding for public engagement

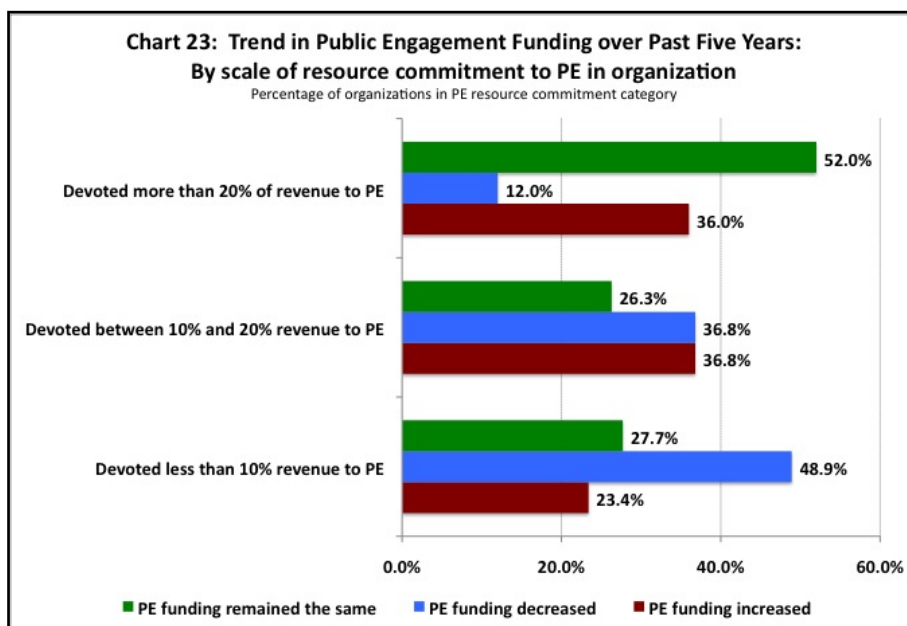
Respondents were asked to identify the main sources of finance for public engagement activities. Among the top three sources are 1) individual private donations; 2) CIDA/DFATD; and 3) corporate donations. Provincial government agencies ranked fourth, closely followed by Canadian foundations and members.

Impact of the abolition of CIDA's 10% allowable allocation for public engagement

In most contribution agreements prior to 2010, CIDA permitted organizations to allocate up to 10% of the budget to public engagement. This incentive for PE was abolished when the agency shifted to the call-for-proposals mechanism. In the 2012 Survey almost two-thirds of the respondents indicated that they did not intend to undertake PE with other organizational revenue. However, the 2014 Survey suggests, quite positively, that many did indeed use other revenue for these purposes. In fact, almost three-quarters (72%) indicated that they had used other revenue to replace the 10% allowable allocation for PE.

Trends in financing for PE activities over the past five years

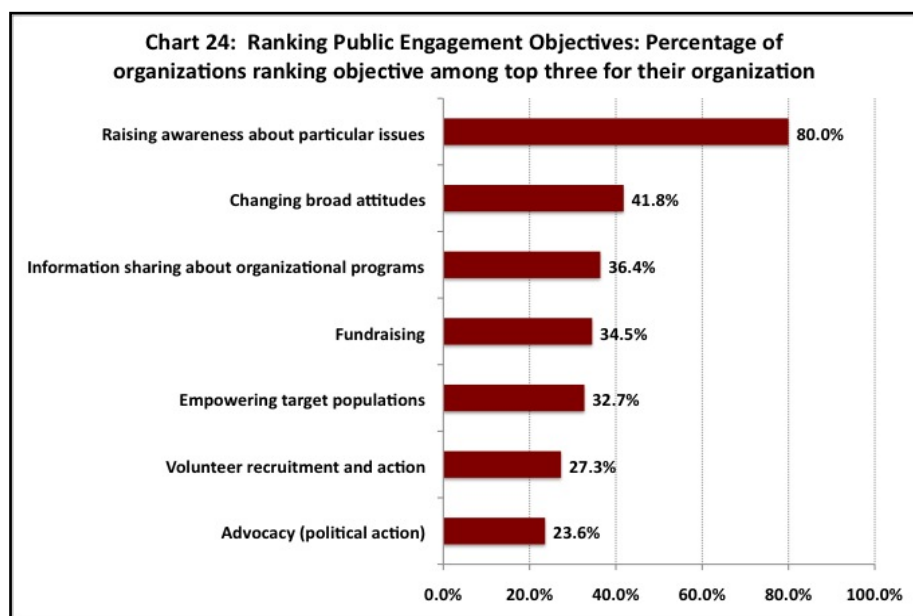
While there are variations for small organizations, overall expenditures on PE have been relatively stable over the past five years. Almost 70% of the organizations indicated that their spending on PE work has increased or remained the same during this period. Among organizations devoting more than 20% to PE, 88% indicate that spending has increased (36%) or remained the same (52%). (Chart 23)



For organizations devoting less than 10% to PE (the majority of organizations working in PE), there is greater variation. Almost half of these organizations (49%) reported that expenditures for PE activities had declined during the past five years. This is perhaps not unexpected given the overall decline in revenue for many organizations since 2010.

Objectives for public engagement activities

The most popular objective for PE activities is “raising awareness about particular issues”, which ranked first by 40% of the organizations and in the top three by 80% of the organizations. “Information sharing about organizational programs” was the second most common ranking for the first objective for PE (18% of the organizations ranked it for first spot and 36% ranked it among the top three). “Changing broad attitudes” was also ranked among the top three objectives by 42% of the organizations (although it only rank first by 10%). (**Chart 24**)



At the other end of the continuum, more active public engagement in the form of “advocacy (political action)” or “empowering target population” ranked among the last two objectives by 53% and 46% of the organizations respectively. (**Chart 25**)



“Fundraising” is a controversial objective for PE activities. Among responding organizations, about a third (34%) ranked it among the top three, and about a third (36%) also ranked it among the least most important objective.

I. Participation in Dialogues with Government since 2012

An important dimension of an enabling environment for Canadian CSOs is regular and institutionalized opportunities for policy dialogue with government. The survey sought information from respondents on their experience since 2012 with various forms of policy dialogue with the government, including departments outside of CIDA/DFATD.

Main Observations

- Very few (24% or 33 of 138 respondents) Canadian CSOs have had an opportunity to participate in a dialogue process with government (Federal or Provincial) since 2012.
- Large organizations were much more likely to be invited to engage in *ad hoc* dialogue processes with the government than medium-sized or small organizations.
- The vast majority of the opportunities for dialogue have been in CIDA/DFATD official policy roundtables and other CIDA/DFATD dialogue or policy/learning events.
- While a few members of Provincial and Regional Councils outside of Ontario and Quebec did participate in a dialogue event, almost all of the participants were national organizations.
- Participants in dialogue were evenly divided with respect to whether their contributions were taken into account in the dialogue and policy events.

Participation in dialogue with government

Less than a quarter of the 138 respondents (33 or 24%) indicated that they had engaged in any policy process with government in the past two years. While the number of organizations in this small sample size were divided relatively equally across the different size categories, the proportion of large organizations (43%) who had engaged in a dialogue process was more than double that of small and medium-size organizations (20%). (See Table 40 in Annex Two.)

While CIDA/DFATD hosted a very large majority of the policy roundtables and events in which groups engaged, a number of organizations participated in policy processes in other departments, such as Finance (two organizations), Environment (two organizations), Department of Foreign Affairs and International Trade (DFAIT) (two organizations), provincial processes (two organizations), and Health (one organization).

There were insufficient responses to determine whether CIDA/DFATD took account the special needs of small organizations and those that were located far from Ottawa. But analysis determined that those that are members of MCIC, ACIC, and SCIC and participated in a policy dialogue were national organizations. The only small provincial organizations to participate were located in British Columbia and Alberta (5 out of the 11 small organizations).

Participants in dialogues were evenly divided whether they were of the opinion that the government took into account CSO input in subsequent government policies and actions.

J. Impacts of Regulatory Processes on Canadian Not-for-Profit Organizations

Since 2012 Canadian CSOs have been impacted in a number of non-financial areas. All federally incorporated not-for-profits must apply for “continuance” under the new Not-for-profit Corporations Act. In addition, all registered charities must provide the Canada Revenue Agency (CRA) with new by-laws and articles of continuance, once accepted by Industry Canada, and other documentation, including objects, if revised. The survey asked responding organizations about any reactions or issues from CRA that affect the operations of the organization. The survey in this section also asked about organizations’ experience with audits by the CRA and audits by CIDA/DFATD.

Main Observations

- The federally incorporated respondents, who had completed the requirements of the new Not-for-Profit Corporations Act, indicated that they had no issues with Corporations Canada in receiving their certificate of compliance.²⁰
- Three out of eight organizations indicated that the CRA raised questions about their charitable objects when they were completing the compliance process, which involved submitting new by-laws to CRA. All questions were resolved.
- While a small number of those who underwent a CRA audit identified a more exacting and time consuming process, the majority found their audit to be “no problems,” “helpful” or “thorough but fair.”
- The focus for CIDA/DFATD audits is with medium-sized organizations, and to a lesser extent on large organizations.

Continuance with Corporations Canada and CRA

Thirty (30) of the responding organizations had completed the compliance process with Corporations Canada. It is not known how many federally incorporated organizations were among

²⁰ Readers should note that only 30 organizations had completed the compliance process with CRA out of the 138 respondents to the survey, and only eight of these responded to the question about CRA. This is a relatively recent development, and since few organizations responded to this section, it is hard to know how representative these results are of the immediate impacts on CSOs or of the longer term impacts of these changes.

the 138 respondents. There were no issues identified.

Only eight organizations of the 30 responded to the questions about the CRA part of the compliance process. Several did report that CRA raised issues with new charitable objects in their required new by-laws. All were resolved after discussion with CRA.

CRA and CIDA/DFATD Audits

Twenty-five (25) organizations, or about a fifth of the sample, have been required to undergo an audit by CRA since 2010. It should be noted that not all organizations in the sample are charities (not-for-profits yes, but not necessarily registered charities). Therefore the proportion of charities undergoing a CRA audit in the sample will be larger. Only three organizations out of 19 that commented found that the audit was more intense, onerous and/or time consuming. The others commented favourably or had no problems.

Forty-eight (48) organizations have been audited by CIDA/DFATD as part of the project/program cycle. They comprise 46% of organizations with a history of funding with CIDA/DFATD. Only three small organizations were audited, with medium-sized organizations being the most predominant (58%) among those that were audited. Thirteen organizations (27% of those audited) found the audit in some ways different than pre-2010 audits. The main differences were less flexibility and more attention to detail, lack of familiarity with the organization's mandate and slow responses after the audit (see Table 47 in Annex Two).

4.0 Conclusion and Recommendations

The CSO international development and humanitarian community in Canada has been impacted by a series of significant changes over the past several years. These impacts are directly attributable to the changing – and lack of – funding and policy environments at the Federal level. This survey has helped identify some of those impacts on the capacity and programs of Canadian CSOs.

To address the implications of these changes on the capacity of Canadian CSOs to realize their full potential as independent development actors in their own right, this report has identified the following set of recommendations, which need to be addressed by Canadian CSOs themselves, in government policies as they relate to the activities of registered charities and not-for-profits, and by a DFATD policy or strategy that sets out the Department's framework for engaging CSOs in development cooperation.

Such a strategy should be developed in collaboration and consultation with Canadian CSOs, and must clearly recognize the different roles a diversity of CSOs play in Canadian development cooperation. Ultimately, such a strategy must support the capacity of a diversity of CSOs to engage effectively as independent actors in development cooperation and to contribute to positive sustainable development outcomes for the poorest and most marginalized. Such a strategy would bring much needed clarity and certainty to the sector.

A. Funding mechanisms

KEY FINDINGS

The once stable institutional funding relationship between CIDA/DFATD and civil society has been seriously undermined for all organizations, including those with a long historical relationship. This is evident in the general decline in the overall number of organizations receiving DFATD funding, the unpredictability of funding opportunities, and the expiry of existing contribution agreements secured by organizations under the old funding window, with no alternative funding sources in DFATD. Timely responses to proposals submitted to DFATD also remain a serious issue. The deterioration in the funding relationship has had a significant and detrimental impact on efficient and effective development programming of a wide number of Canadian CSOs, and on their ability to engage with the Canadian public. These impacts have affected the capacities of organizations to maintain staff and sustain often long-standing programs and partnerships on the ground, with significant cuts all around.

RECOMMENDATIONS

- **DFATD should support a diversity of CSOs – something which will maximize CSO contributions to development outcomes.** While larger, well-established CSOs have important strategic capabilities to offer, there are numerous smaller and medium-sized CSOs that have established a specialized geographic or thematic niche that allows them to be highly effective. A proven track record, regardless of the size of the organization, should go a long way to identifying future partners. The diversity of CSOs is a valuable Canadian asset that should be sustained and nurtured by CSOs themselves, as well as DFATD.
- **Supporting a diversity of CSOs requires flexible and diverse funding mechanisms that are both responsive and directive to different organizational needs and capacities.** Different types of civil society programs, and the diverse roles that CSOs play, including through public engagement, require different types of funding mechanisms – a best practice recognized by the

Organization for Economic Cooperation and Development.²¹ DFATD could make substantial progress with a wider range of transparent and diverse funding mechanisms to address different types of programming relationships, as noted above. An improved calls-for-proposals mechanism could be one among many mechanisms for funding CSOs.

- **To be effective, these funding mechanisms also need to be predictable.** Funding predictability is a fundamental principle of aid and development effectiveness. As the OECD notes, “unpredictable finance, lack of funds for management and program oversight, one-off project funding, unclear guidelines and inconsistent processes, and complex and overly detailed requirements,”²² pose significant challenges to CSOs, and ultimately impact the effectiveness of both donors and recipients. Being able to anticipate what resources are coming when, for what, for whom and how often, is a key to effective programming. DFATD should establish a clear timetable of current and future funding for CSOs for each of their funding mechanisms.

B. Revenue Diversification.

KEY FINDINGS

In response to changing funding modalities at CIDA/DFATD, many organizations have developed revenue diversification strategies, although the evidence suggests that these efforts are just starting and are still not enough. The survey findings indicate that organizations with constant revenue streams since 2012, or who receive 50% or more of their revenues from CIDA/DFATD, have been slower to respond. Private sources of funding from individuals, foundations and the private sector are a top source of financial support for Canadian CSOs. While direct government funding has been essential for many CSOs, charities that work on international aid and development reported a total of \$1.2 billion in tax-receipted gifts in 2011.²³

RECOMMENDATIONS

- **Promote a more robust philanthropic culture in Canada.** CCIC, working with the ICN and DFATD, should convene a roundtable discussion with Canadian Philanthropic foundations, and international foundations that support international development work by Canadian organizations, to establish how to generate a more enabling environment for foundations in Canada to support the work of the international development community.
- **Support the Canadian public to give more – and benefit more from this giving.** The Government of Canada should fully adopt initiatives like the “[Stretch Tax Credit for Charitable Giving](#),” that encourage an already generous Canadian public to give even more.
- **Support the development of revenue diversification strategies.** CCIC and the ICN, as well as the new Partnership for Development Innovation Branch, should support members in the development of revenue diversification strategies through initiatives such as documentation and sharing of successes and lessons learned, and through capacity building opportunities that encourage peer learning and that bring relevant expertise to the community.
- **Support the identification, and encourage the development, of alternative funding sources for CSOs.** DFATD should support Canadian CSOs to access funding from other bilateral and multi-lateral donors through increased exposure, references, co-funding and other promotional activities.

²¹ “Partnering with Civil Society: Twelve Lessons from DAC Peer Reviews,” OECD DAC, 2012. Available online: http://www.oecd.org/dac/peer-reviews/12_Lessons_Partnering_with_Civil_Society.pdf

²² Ibid, p. 31.

²³ “Strength in Numbers - Metrics on the international development community in Canada,” A report prepared by Steven Ayer, Common Good Strategies, for CCIC, October 2013.

C. Public engagement

KEY FINDINGS

A majority of organizations still emphasize the importance of public engagement, despite declining resources to do so. While most CSOs spend less than 10% of their revenue on PE, this investment has been sustained despite the abandonment by CIDA of the 10% allowable allocation to PE. This underscores the importance groups still place on PE, and that it remains a vital component of engaging Canadians in development cooperation and supporting the creation of global citizens that understand the importance of Canada's role in the world.

RECOMMENDATIONS

- **DFATD should develop responsive funding modalities that support the active involvement of Canadians in development cooperation through the full spectrum of opportunities for PE, including advocacy for effective development policies and practices.** In Canada, CSOs are the principal mechanism through which Canadians engage as global citizens to combat poverty, learn about development issues, and satisfy their aspirations to make the world a better place. The diversity of CSOs in Canada means that every Canadian can find a CSO that fits their vision of the world. Accordingly, DFATD's forthcoming civil society policy should put forward a whole-of-Department policy that outlines the objectives and directives for the government's public engagement funding, and should reinstate or launch responsive funding mechanisms that support CSOs in this work.

D. Multi-stakeholder Dialogue

KEY FINDINGS

A few, mainly large national organizations, have had access to government and opportunities for dialogue in recent years, although overall this dialogue has been ad hoc, driven by the government's agenda, and irregular. Since the 1970s, public policy has been enriched through CSO engagement in policy debate and dialogue with the government. This was possible, in part, because the government supported the establishment of a vibrant community of policy and research networks, and promoted regular dialogue on crucial public policy issues. Unfortunately, over the last decade, government policy development processes have not taken advantage of CSO expertise.

RECOMMENDATIONS

- **The Canadian government should establish regular institutionalized, multi-stakeholder dialogue to generate more effective development cooperation, and which is inclusive of a range of different CSOs.** Multi-stakeholder dialogue provides opportunities to tap into the combined wisdom and experience of different stakeholders around shared objectives.

E. Regulatory challenges for civil society

KEY FINDINGS

Albeit drawing from a small sample size, new regulations under the Canada Revenue Agency requiring charities to file new by-laws have generally been satisfactory, although some organizations have identified issues in revising their charitable purposes to reflect current development challenges.²⁴ While the survey did not necessarily identify issues related to new

²⁴ Though the number of survey respondents was very small (only eight organizations responded to the more

CRA regulations, there are emerging rules that challenge the ability of organizations to work effectively overseas, as captured in numerous concerns raised by organizations in special trainings and discussions on the issue.

RECOMMENDATIONS

- **The Canadian government should promote regular meetings between DFATD, Finance Canada, the Canada Revenue Agency (CRA) and Canadian charities operating overseas.** The development and application of CRA rules requires a thorough understanding of the specific nature and practical realities that organizations face in working in developing country and humanitarian emergency contexts, and with a range of different partner organizations.
- **CCIC should lead the sector in identifying capacity building and opportunities for dialogue with the government on the rules and regulations that apply to charities and not-for-profits, and how they impact on the work of international development organizations.**

detailed questions on the CRA process), we know from anecdotal evidence that organizations are spending enormous time and resources in the re-incorporation process and that they are concerned about the focus on political activities of recent audits and interactions with CRA, and around new associated reporting requirements.

