

GUIDE TO IMPROVING FUNDING PRACTICES

**between the Government of Canada
and
the Voluntary Sector**

Treasury Board Secretariat - Voluntary Sector Project Office

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Guide to Improving Funding Practices

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Preamble

Purpose and Scope of the Guide

This Guide to Improving Funding Practices is to be used as a tool to bring greater clarity, consistency and transparency to the funding relationship between the Government of Canada and the voluntary sector. The result will be increased efficiency, effectiveness and accountability in the funding process.

Dialogue between the government and national, regional and local voluntary organisations across Canada, has identified a range of impediments to good funding practice which this Guide addresses.

The impediments identified are those which divert sector and government resources (time, money, effort) unnecessarily from the goal that community organisations and the government share, that is improving quality of life of Canadians through effective collaboration on policy and program development and service delivery.

The Guide will be used to improve current practices, as it identifies specific measures, which could be taken by federal departments and the voluntary sector for achieving more consistent application of good funding practice. The Guide also proposes a shared view of some of the underlying principles and values that should guide future reform.

The Guide will also be used as a vehicle for dialogue about needed change in the future. This will result in an on-going exchange of knowledge and ideas, which will lead to continuous improvement in funding practices, over time. We will know we are achieving progress in this area when the process of continuous improvement, based on shared values and supported by on-going dialogue, becomes commonplace. When the Guide is used to support and strengthen this process of future improvement, it will need to evolve along with the funding relationship itself.

The Voluntary Sector and its Contributions

The voluntary sector is as diverse as the Canadian population. Its more than 178,000 organizations -- over 78,000 registered charities, and another 100,000 non-profit organizations -- differ enormously in their causes and constituencies, in size and resources and the extent to which they are run by volunteers or paid professional staff. Voluntary sector organizations are independent: they determine their own priorities and manage their own affairs. Organizations range from small community-based groups to large, national and international organizations, all improving the quality of life of people in Canada and abroad in various ways.

These organizations, through their staff and volunteers, work in communities across Canada every day, identifying needs and providing effective service and support to improve people's lives. The contribution they make includes: delivering services; advocating on behalf of community causes; encouraging self-help; facilitating community and economic development in Canada and in developing countries; creating awareness and action on environmental issues; advancing religious faith and practice; and raising funds and providing financial support to other organizations. Many organizations undertake important work in other areas as well, including sports and recreation, arts and culture, religion and environmental protection. All of these activities help develop and support the social values in our communities.

Just as strong and healthy communities require a balance of economic and social capital, they also require a balance of social and economic values. This balance can be better achieved through mutually supportive relationships among the voluntary sector, governments, labour and the private sector.

The voluntary sector also contributes significant economic value. To carry out its work, the sector employs more than 1.3 million people, about 9 per cent of working Canadians. The productivity of this workforce is multiplied by approximately 6.5 million volunteers in every community who dedicate more than one billion hours each year through voluntary organizations, the equivalent of 580,000 full time jobs. Seventeen million Canadians give their time directly to others in their communities independent of an organization. The voluntary sector generates about \$90 billion in annual revenues, has \$109 billion in assets, and is supported by more than 22 million Canadians who make financial and/or in-kind donations totalling almost \$5 billion to help organizations achieve their missions.

The voluntary sector's breadth and diversity are among its principal strengths. Voluntary organizations reach deep into every community, providing channels through which Canadians can make themselves heard on important issues. Many organizations work with the most

marginalized members of society, helping to voice the needs of those whose voices which are too seldom heard. Voluntary and community activity are fundamental to a democratic, pluralistic and inclusive society. The sector reinforces citizenship by engaging Canadians in articulating a diverse range of individual and civic concerns and interests within their communities, whether geographically defined or communities of common interest. Through its ability to galvanize Canadians on important issues, and because of its ability to act as an early warning system on a broad range of issues (for example, land mines, racism, family violence and AIDS) the voluntary sector can inform and enrich policy debates, identify emerging priorities and offer innovative proposals for change. The sector's ability to build bridges between communities and cultures, promotes understanding, awareness, diversity, inclusion and social justice – connecting people locally, regionally, nationally and around the world.

Government of Canada Support

Direct funding by the federal government (provided through grants, contributions and contracts) provides one source of revenue for voluntary sector organisations to finance the work they do in pursuit of common objectives in their communities.

While not the largest source of funds to the sector - provincial and municipal funding is considerably larger - federal funding is nonetheless significant. Federal funding practices and policies have therefore a significant impact on the many voluntary organisations that work with the federal government in serving their clients and communities.

The Government of Canada has a clear interest in ensuring that a healthy and active voluntary sector is present in communities across the country. Its funding policies and practices must reflect this interest by ensuring that the contribution to society, which can be made by the sector and the government working together, is enhanced and that barriers to an effective funding relationship are removed.

Guiding the Funding Relationship

A Commitment to Respecting Shared Values

While the government and the voluntary sector share a long history of joining forces to achieve mutual goals, funding arrangements until now have been primarily developed one department at a time. However, the Voluntary Sector Initiative (VSI), of which this work on improving funding arrangements is part, is intended to bring an increasingly government-wide focus to the government's relationship with the sector. Consistent application of good practice requires both information about what practices work well, and respect for certain values inherent in the environment within which the sector and government must work together.

The Government of Canada is committed to managing its business according to the highest public service values and ethics. The government is also committed to providing relevant, accurate and timely information on its activities to Parliament so that there is true accountability for public spending. Clear accountability and due diligence in the management of public funds is key as the government must ensure proper stewardship of these resources. Federal funding policies and practices, and all aspects of the funding relationship, must enhance, rather than diminish, these commitments. It is understood that the voluntary sector has long recognized that receipt of public funds carries responsibilities to the funder and to the public. For this reason, it is expected that sector organizations will continue to exercise good practice in their use and administration of public funds.

Equally important will be new approaches which result from other values. The "added value" of working with the voluntary sector must be publicly acknowledged. Community organisations must be able to sustain themselves over time, if they are to function in the long term. They must also be able to maintain their capacity, if they are to continue to serve their clients and communities well. Introduction of more streamlined and rationalized paperwork and reporting requirements, balanced with respect for accountability, will be an important contribution. As well, ways of achieving greater consistency and transparency in decision-making, while tailoring the funding relationship, in part, to client need, must be considered.

Federal funding policies must take account of these realities and values of the voluntary sector, and funding practices should enhance the ability of organisations to be effective partners in serving Canadians.

Commitments to Action

Recognition of the Sector's Added Value

By its very nature and, in particular, its connection to communities, the voluntary sector brings a special perspective and considerable added value to those activities which it engages in with the government.

Many organisations are connected to broad networks or have branches or affiliates in all major, and many of the smaller communities across Canada. They actively encourage community participation and involve volunteers in their governance and their direct services. They usually have special knowledge and expertise gained through their work. The sector has expertise in the planning and delivery of a broad range of services and programmes in the community. They reach into their communities for innovative ideas and support change in their communities through education and research.

A strength of the sector is its diversity, as it is made up of individuals who come from many parts of society and who bring with them very different perspectives and experiences.

These attributes add value to sector engagement in program and policy development and service delivery and should be recognised in the funding process.

We will know progress is being made when:

- recognition is given to the potential for innovation by voluntary groups, which might be used to advance departmental or program priorities;
- departments consistently recognise the sector's ability to promote equality and social inclusion;
- departments recognise that the sector is well placed to compete for research funding alongside research institutions;

and more specifically, when:

- there is recognition that a legitimate proportion of the cost of providing this added value, be considered as part of a budget for a funded activity, when it is integral to successful implementation of the project;
- consideration is given to the "value-added" which voluntary organisations bring to specific activities with the government, as one criterion for considering proposals;
- departments consider sector views when identifying new program needs or better ways of meeting existing needs through funding programs.

Diversity and Equitable Access

The strength of the voluntary sector rests in part in its diversity, of people and of organisations. The people who work or volunteer in the sector reflect the face of Canada, in large cities and in small communities or remote areas, from all backgrounds and with a wealth of unique experiences. The organisations range from large foundations or national organisations with multi-million dollar budgets to small community-based groups with few, if any, staff and limited resources.

Funding practices must be sensitive to the different characteristics and needs of all types of organisations. Inadvertent barriers which might limit the effectiveness of working together must be addressed.

We will know progress is being made when:

- application and accountability standards and procedures are flexible enough to accommodate a diversity of approaches and the limited capacity of smaller organisations, while still ensuring effective protection of, and proper accountability for, public money;
- recognition is given to the potential of diverse community organizations (faith, cultural, etc) to contribute to program development and delivery of services, and there is demonstrated sensitivity to cultural differences;
- effort is made to provide equitable access to funded programs for organisations in remote, marginalized and/or rural communities;

and more specifically when:

- information on what funding programs exist and how to apply to them is widely available, in a variety of easily accessible formats; for example through: outreach activities; the press; umbrella and intermediary organizations; voluntary sector networks; directories; newsletters; and the internet; and in formats accessible to persons with disabilities;
- application forms are improved to increase clarity, reduce complexity, and are written in plain language;
- effort is made to ensure eligibility criteria and funding practice do not present unintended barriers for smaller organisations with limited resources or no federal “track-record” to being considered as eligible applicants.

Transparency and consistency

The funding process, from the time an application is submitted to the completion of a project, can be complex, confusing and frustrating unless there are clear and consistent procedures that everyone concerned can know and understand.

Transparency concerning decision-making about funding allows all participants to perceive that the playing field is level.

As many federal initiatives now involve a number of departments working with a consortium of organisations, consistency in funding procedures across government becomes more and more important. Increased harmonization can result in fewer resources being wasted by both voluntary groups and by the government to collect and review the information needed for quality funding decisions.

The funding process must therefore be made more transparent and consistent, both within each Department and, over time, across the government as a whole.

We will know progress is being made when:

- evaluation tools are developed together with the sector (including third party evaluations), that are intended to capture information which will be used for measuring longer-term outcomes of funding at the Departmental program level, as opposed to project level;
- a harmonized process is in place across government for the joint funding of projects, when several Departments are working collaboratively on the same initiative with a common agency and or when several initiatives deal with a common client;
- there is clear understanding and consistent application of Treasury Board funding policies across Government (i.e. Transfer Payments Policy, Contracting Policy, Integrated Risk Management Framework) and they are known to the partner organizations;

and more specifically when:

- the objectives of funding programs are clearly stated and their eligibility criteria and the application forms are clear and concise,
- applicants receive precise information concerning stages and timing of decision-making; realistic planning time frames are established, adequate communication with respect to the progress of funding applications and service standards and performance commitments (of departments and applicant organisations to provide full information in a timely manner) are in place.

Efficiency and Effectiveness

The purpose of seeking maximum efficiency in the application and reporting process is to remove unnecessary barriers to the optimum use of resources by the sector to achieve their mission. However, this must be done while retaining (and even enhancing) the ability of the sector and the government to ensure the most effective use of any federal funding which may be provided.

Both government and voluntary organisations know how important it is to be able to tell people about what is being accomplished with the resources spent. To properly assess whether resources will be, or have been, used effectively requires quality information.

The right balance between flexibility and efficiency in funding practices and the need to ensure proper reporting must constantly be sought.

We will know progress is being made when:

- accurate and sufficient information is uniformly available to meet the requirements of good financial management, including legal requirements, and also to support quality decision-making and reporting on results;
- there is minimum duplication in the application process and in requirements for reporting and wide spread use of generic application forms - first throughout departments, and then across government;
- electronic application and reporting procedures are in place, supported by user-friendly forms and software;
- a “risk-based” approach, based on modern financial management principles, is used to assess and monitor initiatives, and is proportionate to the level of funding and size and nature of the organization;

and more specifically when:

- departments develop less complex and shorter agreements for lower-cost, lower risk projects, which will facilitate the application process;
- the cost to the voluntary organization of monitoring and evaluation is recognized and provision is made for it within the funding provided;
- voluntary organisations can submit basic “boiler plate” data with an application, one time only, to be updated when required, as opposed to each time an application is submitted for funding.

Recognition of Sector Accountability to Clients and Community

Voluntary sector organisations are centred in and nurtured from their communities. Their activities respond to community need and their support comes from many sources in their communities. Many of their programs have more than one funder, including the other orders of government, as well as United Ways, foundations and private fundraising. They operate through the direction and control of a volunteer Board of Directors, and their knowledge of the needs of their community informs their priorities.

All of these factors create multiple accountability for voluntary sector organisations. There is accountability to the community, the people they serve, the board of directors, and more specifically, all funders.

For the Government of Canada, there is primary accountability to Parliament and to the people of Canada.

The Government of Canada and voluntary sector organisations can work together and support each other in fulfilling their respective accountabilities.

We will know progress is being made when:

- there is mutual respect for diversity, and there is recognition that different community groups can manage their resources in different ways, while still meeting the requirements of accountability;
- dialogue with sector organisations and flexibility in the implementation of new programs which address broad federal priorities, allows sufficient tailoring to meet priority community needs, where possible;

and more specifically when:

- all voluntary sector organizations working with the federal government have sufficient monitoring systems and internal management practices in place to ensure their own accountability;
- monitoring procedures already agreed to by an organization's other funders and any quality assurance system introduced by the organization itself are taken into account by federal departments when discussing the content, quality and format of federal information needs.

Capacity to Deliver Results

If voluntary sector organisations are to be effective partners when working with government on specific initiatives, they need to maintain their capacity to manage themselves effectively and deliver quality services to the public.

Thus, while improvements to federal funding policies and practices should focus primarily on improving the actual management of specific funding agreements and the funding process itself, they should also contribute to the overall health and vibrancy of those organisations which are funded, to the extent possible. At a minimum, care must be taken that funding practices do not inadvertently diminish the capacity of organisations to do their work effectively and well. This concern has been noted elsewhere and can be addressed through removing impediments in the funding process, which unnecessarily divert resources in the sector from key activities.

Active measures can also be taken to ensure that capacity to achieve results is enhanced and not diminished through federal funding.

We will know progress is being made when:

- strategic investments are considered to strengthen the capacity of organisations who work with federal departments on key policy goals to collaborate more effectively, by contributing to building their organisational capacity in selected areas of need;

and more specifically when:

- budgeting for programs or projects to be delivered by sector organisations, includes their fair share of infrastructure-type costs, which are integral to successfully implementing an eligible project;
- departments implement client and funds management strategies, to eliminate problems caused by a proliferation of end-of-year funding to organisations;
- departments ensure equitable access for voluntary organisations when tendering for federal contracts, by including assessment of the “value-added” elements which voluntary organisations can contribute to achieving results when determining overall “best value” required by TBS Contracting Policy.

Forward Planning and Sustainability in Operations

Voluntary sector organisations must also be able to sustain themselves over time if they are to continue as key partners of federal departments.

Community groups and the government agree on the importance of sustainability for any organisation to succeed and thrive. Predictability of funding contributes to effective longer-term planning and the achievement of results.

Federal funding policies should take into account these realities and funding practices should enhance, rather than diminish, the ability of organisations to sustain themselves as effective partners in serving Canadians.

We will know progress is being made when:

- the use of multi-year funding agreements is recognized as a legitimate approach in appropriate circumstances, and mechanisms are developed to facilitate their use;
- departments provide access to useful planning tools to sector groups, and routinely share information on Departmental and government-wide priorities and plans (policy, program, research) to facilitate long term planning in sector organisations;
- advance, timely notice of changes to criteria, focus or priorities of funding programs is given whenever possible, and a reasonable transition period is allowed where major changes are to be made to a funded activity already underway;

and more specifically when:

- extended time horizons for funding beyond one year are considered for key initiatives, subject to the annual appropriation of funds by Parliament, to enhance organisations' stability and longer-term planning;
- advance payments are considered where appropriate, in accordance with the flexibility available to departments by TBS Transfer Payments Policy;
- payments are made promptly and in determining the frequency of installments, the size and nature of the proposed funding and the applicant organization are both considered.

Using the Guide in Practice

This Guide to Improving Funding Practices is not intended to be a static document. It is meant to describe the environment that both the voluntary sector and the government work within, and the values and important considerations that should help to shape progress in improving many aspects of the funding relationship

Its power to influence and change behaviour will be derived, in part, from its endorsement by government, but also through continuing discussion between the government and the sector and within individual departments. Precise definition of each key point where progress is needed is not as important as joint understanding of the true meaning behind our mutual commitment to achieve progress together.

Planning by Departments across government to implement some of the practices described in this Guide is already underway. All departments will use the guidance provided by it as they prepare their own plans and as they continue to improve their practices in the future.

As part of the process of making the Guide operational, there will need to be ongoing opportunities for government officials and representatives of the sector to continue to discuss and reform it over time. Discussion of the Guide with sector colleagues will provide opportunities to exchange ideas, and make continuous improvements in the working relationship between government and voluntary sector organisations.

The Guide also provides an initial assessment of what will be some important indicators of progress. This progress will happen incrementally over time, it will be seen department-by-department and day-by-day in the myriad of individual funding relationships which exist. The impact of change however will also need to be assessed from a whole-of-government to whole-of-sector view. This will require periodic review, discussion and reporting on the status of improvement government-wide. Course changes may be required, and new priorities for change set.

The Guide is therefore a point of departure, not the end of the journey.