

Working Together on Funding: A Code of Good Practice

**Building on
An Accord Between the Government of Canada and
the Voluntary Sector**

**Developed under the direction of the Joint Accord Table
of the Voluntary Sector Initiative**

**Draft
May 24, 2002**

Table of Contents

	Page
1. Why a Code?	1
1.1 Purpose of the Code	1
1.2 Link to the Accord	2
1.3 Scope and Application of the Code	2
2. Principles Underpinning the Code	3
3. Financing of the Voluntary Sector	5
4. Government of Canada Support of the Voluntary Sector	6
4.1 Purposes/Activities for Which Direct Funding is Provided	6
4.2 Direct Funding Mechanisms	7
4.3 Other Government of Canada Support of the Voluntary Sector	7
5. Good Funding Practices: The Code in Action	8
5.1 Voluntary Sector Responsibilities for Funding Practices	8
5.2 Government of Canada Responsibilities for Funding Practices	9
5.3 Joint Responsibilities for Funding Practices	13
6. Moving the Code Forward	13
Appendices	14
Appendix 1: Excerpt from the Accord: Definition of the Voluntary Sector	14
Appendix 2: Contributions of the Voluntary Sector	15
Appendix 3: Contributions of the Government of Canada	16
Appendix 4: Voluntary Sector Purposes/Activities Funded by the Government of Canada	17
Appendix 5: Types of Direct Funding Mechanisms	19

1. WHY A CODE?

1.1 Purpose of the Code

This is a Code to guide good practice on funding. It is a practical tool for implementing *An Accord Between the Government of Canada and the Voluntary Sector* which outlines broad values, principles and commitments to action governing their relationship when they choose to work together.

The Code has two goals:

- to improve collaboration between the two parties on funding policies and practices; and
- to strengthen the capacity of voluntary sector organizations to carry out their mission and contribute to the public good.

“The Voluntary Sector Initiative represents a unique and innovative attempt to better harness the strengths and expertise of both the federal government and Canadian voluntary organizations so that individual Canadians are better served”

Patrick Johnston
President and CEO of the Canadian Centre for Philanthropy and
Co-chair of the Joint Coordinating Committee

Voluntary sector organizations have a mandate to identify and respond to community needs by providing programs, services and support to improve people’s lives (see Appendix 1 for a definition of the voluntary sector and Appendix 2 for the sector’s contributions). The Government of Canada has a mandate to deliver programs and services, through the use of public funds, that improve the quality of life of all Canadians (see Appendix 3 for the contributions of the federal government).

This Code examines the current funding relationship between the Government of Canada and the voluntary sector, and identifies ways to strengthen it over time. It expands upon prior work done by the Treasury Board Secretariat to identify ways in which the Government of Canada’s funding policies and practices could be improved to strengthen its relationship with the voluntary sector¹. It is also informed by the views and guidance of the voluntary sector’s Working Group on Financing. Together, the contributions of both these bodies have provided a strong foundation for the Code.

¹ As part of the Voluntary Sector Initiative, the Voluntary Sector Project Office (VSPO) in the Treasury Board of Canada was mandated to identify and propose solutions to impediments in federal funding practices and policies in relation to the voluntary sector, to provide greater consistency across departments and to improve the government's ability to strengthen sector capacity. This work involved extensive consultations with the voluntary sector and across government, and resulted in the Federal Strategy on Funding Practices and Policies, a federal funding framework to improve administrative practices and help federal departments build the capacity of sector partners. A key element of the Strategy is a Guide to Improving Funding Practices between the federal government and the voluntary sector, which has now been fully integrated into this jointly developed Code and is superseded by it.

This code is a tool that will be used to improve current practices, by identifying specific measures (i.e., good funding practices) that federal departments and agencies and the voluntary sector could apply on a more consistent basis.

In the longer term, improved funding policies and practices should lead to the following positive outcomes:

- enhanced ability for each party to carry out its mandate;
- greater transparency, consistency and understanding between both parties;
- clear and balanced accountability in the funding process;
- good funding policies and practices become common policies and practices; and
- strengthened sustainable capacity of voluntary sector organizations.

Sustainable capacity is the resources, expertise and infrastructure that allows organizations to manage themselves and carry out their mandate over time. Maintaining this capacity is critical for organizations to be able to continue to serve their clients, including their ability to undertake work in partnership with government departments and agencies. The Government of Canada recognizes the importance of sustainable capacity for voluntary sector organizations and the role it can play in contributing to the development of that capacity, in the context of their funding relationship.

The Code's power to influence and change behaviour will come from its endorsement by both parties, as well as through continuing discussion between the federal government and the voluntary sector.

1.2 Link to the Accord

On December 5, 2001, the Government of Canada and the voluntary sector signed an Accord that formalizes their long-standing relationship to achieve greater mutual understanding and more cooperative ways of working together.

This Code follows up on the Accord's commitment by both parties to develop, in a timely fashion "*codes or standards of good practice to help guide interactions between government departments and voluntary sector organizations on aspects of the relationship such as policy dialogue, funding, and other issues as identified.*"

The Accord makes a number of general references to the funding relationship. Other specific references to funding are as follows:

"The Government of Canada commits to: Recognize and consider the implications of its legislation, regulations, policies and programs on voluntary sector organizations including the importance of funding policies and practices for the further development of the relationship and the strengthening of the voluntary sector's capacity"; and

“The Government of Canada and the voluntary sector ... agree that: ... Advocacy is inherent to debate and change in a democratic society and should not affect any funding relationship that might exist.”

1.3 Scope and Application of the Code

This Code applies to existing and future funding relationships between federal government departments and agencies and the voluntary sector organizations with whom they work, at both the national and local levels. It is expected to evolve over time, based on experience with its use.

The Code reflects current funding policies and practices only, and includes specific recommendations to improve **direct** funding practices.

In addition to direct funding, the federal government supports the voluntary sector **indirectly** by providing tax relief for donations made to registered charities. The federal government recognizes its role to encourage and stimulate increased giving by Canadian individuals, corporations and foundations (both public and private) through such tax relief. Although these measures – including personal income tax credits, corporate income tax credits, and GST rebates – result in significant foregone revenues for the federal government, they lever up to four times that amount in donations from other donors.

However, this issue of indirect support – as well as levels of funding, tax treatment of donations, and partnership with other sectors and other levels of government – falls outside the current scope of this Code.

2. PRINCIPLES UNDERPINNING THE CODE

This Code is based on the following principles:

The voluntary sector’s added value: A healthy and active voluntary sector plays an important role in helping the federal government achieve its public policy objectives. By its very nature and, in particular, its connection to communities, the voluntary sector brings a special perspective and considerable added value to its activities, including those it undertakes with the Government of Canada.

Strengthened sustainable capacity: The Government of Canada acknowledges the sector’s need for sustainable capacity to carry out its role. This capacity within the voluntary sector requires resources and support provided by a variety of sources, including the federal government.

Cooperation and collaboration: A close working relationship between the voluntary sector and the Government of Canada will foster the cooperation and collaboration needed to maximize their complementary skills, expertise and experience.

Innovation: The voluntary sector and the Government of Canada encourage and support innovation in communities across the country. Both parties will collaborate to leverage their strengths and expertise, enabling them to explore new and more creative ways to respond to community needs. Through its strong connection to community, the voluntary sector identifies emerging priorities and offers innovative proposals for change. The federal government can play a role by developing funding practices that encourage innovative policies and programs.

Diversity and equitable access: The voluntary sector derives much of its strength from the diversity of its people, organizations and sources of support. The people who work or volunteer in the sector reflect the face of Canada drawn from a range of backgrounds and with a wealth of unique abilities and experiences. The Government of Canada and the voluntary sector will work together to ensure that funding policies and practices respect “the rich variety of cultures, languages, identities, interests, views, abilities, and communities in Canada.”² Funding policies and practices must also respect laws and policies³ aimed at addressing equitable access.

Accountability: Accountability is the requirement to explain and accept responsibility for carrying out an assigned mandate in light of agreed-upon expectations.

- Voluntary sector organizations are accountable to multiple constituencies, including funders, donors, clients, members, volunteers, staff, government and the general public. When they accept public funds, they are responsible for accounting for how these funds are used. These accountability requirements differ depending on the type, purpose, duration and amount of funding and are linked to realistic and measurable outcomes.
- The Government of Canada is accountable to Parliament and the Canadian people for the use of public funds, and is guided by *Results for Canadians* (a management framework for the federal government) and other accountability frameworks.

Transparency and consistency: An open, transparent funding relationship requires both parties to provide clear and timely information on all aspects of funding processes. More consistent application of funding practices across the Government of Canada and the voluntary sector as a whole, over time, will lead to more harmonized and streamlined processes that will benefit both parties.

Efficiency and effectiveness: The Government of Canada and the voluntary sector recognize the importance of efficient and effective allocation of funds. As well, the application, reporting and monitoring requirements must be manageable and realistic.

2 *An Accord Between the Government of Canada and the Voluntary Sector*, December 2001, p. 7.

3 These laws and policies can be found at the following levels:

- federal: the *Canadian Charter of Rights and Freedoms*, the *Canadian Human Rights Act*, the *Employment Equity Act*, the *Official Languages Act*, the *Pay Equity Act* and the *Multiculturalism Act*;
- provincial and territorial: laws, human rights commissions and programs that promote diversity; and
- international: international conventions to which Canada, as a signatory, reinforces its commitment to diversity.

Both parties must also respect all amendments, extensions or replacements to these laws and policies.

3. FINANCING OF THE VOLUNTARY SECTOR

The voluntary sector is a significant economic force in Canada:

- The sector employs 1.3 million people, about 9% of working Canadians.
- The productivity of this workforce is multiplied by 6.5 million volunteers,⁴ active in every community, who dedicate more than one billion hours each year through voluntary sector organizations – the equivalent of 580,000 full-time jobs.
- The voluntary sector generates about \$90 billion in annual revenues and has \$109 billion in assets.⁵

A strong, resilient voluntary sector draws its support from a variety of sources, including:

- 22 million Canadians who make financial and/or in-kind donations totalling almost \$5 billion to help organizations achieve their missions;
- millions of individuals who volunteer their expertise and labour;
- governments, foundations, United Ways and corporations which provide financial and in-kind resources; and
- funds raised by voluntary sector organizations through service fees, product sales, investment income and other charitable fund-raising activities.

In response to changing government priorities and available funding over the past decade or so, voluntary sector organizations looked at opportunities to further diversify their funding sources.

- *The private sector:* Corporations were encouraged to increase their giving and they did. The private sector can and does play an important role in voluntary sector funding; however, it has not been able to offset reduced government funding, which remains the sector's largest source of revenue. As well, the private sector provides primarily one-time or short-term funding; this is problematic because voluntary sector organizations need ongoing funding.
- *Individual donors:* Individual donations can be a consistent and significant source of revenue, but most smaller voluntary sector organizations do not have the broad public profile needed to raise significant funds from individuals. In response to tax law reforms (in 1996, 1997 and 2001) which improved the tax treatment of charitable donations in Canada, average donations reported by individuals on tax returns have increased.
- *Foundations, community funds and United Ways:* Voluntary sector organizations regard these flexible and innovative funding sources as essential elements of their long-term sustainability. Unfortunately, the small size of these particular sources limits their impact.

4 2000 National Survey of Giving, Volunteering and Participating, Statistics Canada.

5 *Working Together: A Government of Canada/Voluntary Sector Joint Initiative: Report of the Joint Tables*, Voluntary Sector Task Force, Privy Council Office, Government of Canada, August 1999.

The provincial governments and the voluntary sector have a broad and deep relationship. For example, 47.6% of the voluntary sector's revenues are provided by the provinces, 6.2% from the federal government, and 2.7% from local governments. Other revenues are generated by donations (9.7%), and from other sources such as in-kind gifts, investment income, business income, fees, etc. (33.8%).

"We need to do more – as a government and as a society – to support the voluntary sector. People who participate as staff or volunteers contribute, without hesitation, to maintaining our social, economic and cultural fabric."

The Honourable Lucienne Robillard
President of the Treasury Board of Canada and
Chair of the Reference Group of Ministers on the Voluntary Sector

4. GOVERNMENT OF CANADA SUPPORT OF THE VOLUNTARY SECTOR

Although federal direct funding is not the largest source of public funds to the voluntary sector (provincial, territorial and local government funding are considerably larger), it is nonetheless significant. As discussed earlier in section 1.3, the Government of Canada's indirect funding support also has a significant impact on the voluntary sector.⁶

Federal government funding helps voluntary sector organizations build and maintain their capacity to serve their clients and work with the federal government for the benefit of Canadians. This, in turn, enables departments and agencies to meet their strategic aims and achieve value for money.

4.1 Purposes/Activities for Which Direct Funding is Provided

Federal government departments and agencies make different types of direct funding available to voluntary sector organizations for a range of purposes and activities to ensure that government policy objectives are met in a flexible and appropriate manner. Not all types of funding are provided by every government department and agency. Each department and agency determines the type(s) of funding best suited to fulfil its mandate and policy objectives. Departments and agencies are guided by their individual policy and program priorities as well as by the terms and conditions of the specific funding programs they provide. Although most federal government funding covers a one-year period, departments and agencies also provide funding on a multi-year basis. All funding agreements are subject to the annual appropriation of funds by Parliament.

⁶ See Appendix 3 for more information on the contributions of the Government of Canada.

In considering their mandate, federal departments and agencies may make funding available for various purposes and activities, including:

- program and service delivery;
- strengthened sustainable capacity;
- alliances and partnerships;
- the policy development process;
- advocacy;
- research;
- innovation;
- capital expenditures; and
- strategic investment.

Descriptions of each of these funded purposes/activities can be found in Appendix 4.

4.2 Direct Funding Mechanisms

The federal government provides direct funding through three types of funding mechanisms, in accordance with the Treasury Board of Canada's Policy on Transfer Payments and its Contracting Policy. Discussed in greater detail in Appendix 5, the funding mechanisms are:

- contributions;
- grants; and
- contracts.

Most of this funding is provided through the first two funding mechanisms (i.e., contributions and grants). A smaller portion is provided through the third mechanism (i.e., contracts) for specific professional services.

Funding arrangements, including duration, should reflect the nature and scale of the issue to be addressed. For example, chronic or systemic social issues are not likely to be solved through three- or six-month project funding. Project funding has a place in the overall funding mix, for problems that are expected to be solved in the short term or for time-limited activities. However, many issues (e.g., child poverty) are longer term in nature and may require long-term funding commitments, as well as collaboration and partnership activities, to make real progress.

4.3 Other Government of Canada Support of the Voluntary Sector

In addition to direct funding, federal government departments and agencies can provide access to other support and resources. The Government of Canada assumes the cost when making these resources and services available to the voluntary sector.

The examples listed below are operating now in some federal government departments and agencies, although awareness of them varies. All federal departments and agencies are encouraged to adapt and build on these examples, when resources are available and when they meet a department's or agency's specific strategic aims and policy priorities. Departments and agencies whose current terms and conditions do not permit them to provide these types of support should recognize that they can seek approval to amend those terms and conditions to permit the following activities.

- **In-kind contributions**, such as:
 - access to/use of hard and soft assets (e.g., use of libraries, meeting space, video teleconferences, facilities);
 - recyclable equipment (e.g., office furniture, computer equipment);
 - access to training opportunities (e.g., professional development);
 - training for voluntary sector organizations on Government of Canada funding practices, mechanisms, processes and outcomes; and
 - federal government/voluntary sector personnel interchanges.
- **Differential pricing**:
 - consideration/recognition of voluntary sector organizations' reduced capacity to pay (e.g., conference costs, training costs); and
 - access to Government of Canada bulk pricing rates.

5. GOOD FUNDING PRACTICES: THE CODE IN ACTION

Building on the principles presented earlier in section 2 of this Code, the funding practices outlined below identify specific measures already in place in some federal government departments and agencies and in the voluntary sector. Where appropriate, these practices could be applied more broadly and consistently across other federal departments and agencies and in the voluntary sector. As this Code evolves, new practices will be identified, improved upon and included in the document. Progress will be achieved when the process of continuous improvement, based on shared values and supported by ongoing dialogue, becomes common practice.

Not surprisingly, most of the funding practices discussed below rest with the federal government which holds the funds and is responsible for distributing them. However, the voluntary sector also has responsibilities for certain funding practices and these are listed directly below.

5.1 Voluntary Sector Responsibilities for Funding Practices

The following good practices will contribute to improving the funding relationship with the federal government:

Voluntary sector organizations commit to reinforce and strengthen good governance practices internally, by:

- ensuring sound financial management, in accordance with appropriate accounting procedures;
- adhering to ethical fund-raising practices;
- providing effective board governance;
- demonstrating and communicating added value in the delivery of programs and services;
- implementing policies to ensure equality of opportunity in both employment practice and service provision;
- investing in organizational and human resource development and management;
- ensuring openness and transparency of activities and financial records; and
- ensuring sufficient monitoring systems and internal management practices.

Voluntary sector organizations commit to being sound funding recipients by:

- providing effective financial information (e.g., providing required information such as reports, and notifying the federal government of any changes, delays or irregularities related to funding, in a timely manner);
- identifying clearly the management and overhead costs as well as the volunteering costs in proposed budgets and end-of-project reports;
- ensuring that they have the level of financial expertise needed to fulfil all their financial management, recording and reporting obligations; and
- acknowledging funding sources in their publicity material.

The voluntary sector commits to enhancing the funding climate by:

- ensuring that it publicizes government or other funding policies broadly and shares that information across the diverse sector;
- periodically evaluating (in consultation with users) the effectiveness of its use of public funds to ensure it meets “value for money” criteria; and
- engaging departments and agencies in dialogue about innovative funding approaches to emerging community issues and needs.

5.2 Government of Canada Responsibilities for Funding Practices

5.2.1 The Voluntary Sector’s Added Value

The following good funding practices will contribute to improving recognition of the voluntary sector’s added value:

- consistently recognizing the sector’s ability to promote equality and social inclusion;

- recognizing that the sector is well qualified to compete for research funding alongside university research institutions;
- including the “added value” that voluntary sector organizations bring to specific activities with the Government of Canada as one criterion for considering proposals;
- including a legitimate proportion of the cost of providing this added value as part of a budget for a funded activity, when it is integral to the project’s successful implementation; and
- establishing new/expanded opportunities for voluntary sector organizations to access federal contracts through means such as:
 - the creation of standing offer lists of voluntary sector organizations which have been “pre-qualified”; and
 - the development of service registries, which are listings of voluntary sector organizations with particular expertise.

5.2.2 Strengthened Sustainable Capacity

The following good funding practices will contribute to strengthened sustainable capacity:

- using multi-year funding agreements more frequently (in appropriate circumstances), and developing and implementing mechanisms to facilitate their use which enhances organizations’ stability and longer-term planning;
- allowing a reasonable transition period where major changes are to be made to a funded activity already underway;
- making advance payments where appropriate, in accordance with the flexibility available to departments and agencies by the Treasury Board of Canada’s Transfer Payments Policy;
- making payments to an agreed-upon timetable and, in determining the frequency of installments, considering both the size and nature of the proposed funding and the applicant organization;
- building in the federal government’s contribution to infrastructure-type costs – which are integral to successfully implementing an eligible project – to budgets for programs or projects to be delivered by voluntary sector organizations; and
- managing funds effectively to eliminate problems caused by the distribution of a concentrated amount of funding to organizations at the end of the fiscal year.

5.2.3 Cooperation and Collaboration

The following good funding practices will contribute to improving cooperation and collaboration with the voluntary sector:

- soliciting and considering voluntary sector views when identifying new program needs or better ways of meeting existing needs through funding programs;
- providing voluntary sector organizations with access to useful planning tools, and routinely sharing information on departmental and agency and government-wide priorities

and plans (policy, program, research) to facilitate long-term planning in sector organizations; and

- being flexible in implementing new programs that address broad federal priorities, and allowing sufficient tailoring of these programs to meet local needs, where possible.

5.2.4 Innovation

The following good funding practices will contribute to improving innovation:

- identifying and bringing forward emerging funding issues, and using new funding approaches to address community needs;
- recognizing the potential of voluntary sector organizations for innovation, which might be used to advance departmental or agency or program priorities; and
- at the design stage, recognizing the benefit of targeting a portion of new program funding for innovation, where appropriate (incorporating appropriate risk assessment, risk management and accountability).

5.2.5 Diversity and Equitable Access

The following good funding practices will contribute to improving diversity and equitable access:

- recognizing the potential of diverse community organizations (faith, cultural, etc.) to contribute to program development and delivery of services, and demonstrating sensitivity to cultural differences; and
- making an effort to provide equitable access to funded programs for organizations that have limited access to federal funding by:
 - making information on what funding programs exist and how to apply to them widely available, in a variety of easily accessible formats (e.g., through outreach activities, the press, umbrella and intermediary organizations, voluntary sector networks, directories, newsletters and the Internet as well as in formats accessible to persons with disabilities);
 - improving application forms by writing them in plain language to increase clarity and reduce complexity; and
 - ensuring that eligibility criteria and funding practice do not create unintended barriers for smaller organizations that have limited resources or do not have a federal “track record” to being considered as eligible applicants.

5.2.6 Accountability

The following good funding practices will contribute to improving accountability:

- making application and accountability standards and procedures flexible enough to accommodate a diversity of approaches and the limited capacity of smaller organizations, while still ensuring effective protection of, and proper accountability for, public money;
- taking into account monitoring procedures already agreed to by a voluntary sector organization’s other funders and any quality assurance system introduced by the organization when discussing the content, quality and format of federal information needs;

- agreeing on well-defined measurable results; and
- ensuring mutual respect for diversity, and recognizing that different community groups can manage their resources in different ways, while still meeting the federal government’s accountability requirements.

5.2.7 Transparency and Consistency

The following good funding practices will contribute to improving transparency and consistency:

- establishing a harmonized process across the Government of Canada, for the joint funding of projects, when several departments or agencies are working collaboratively on the same or several initiatives with a common client;
- ensuring clear understanding and consistent application of the Treasury Board of Canada’s funding policies across the federal government (i.e., Transfer Payments Policy, Contracting Policy, Integrated Risk Management Framework) and making them known to the voluntary sector organizations with whom they work;
- clearly stating the objectives of funding programs and their eligibility criteria as well as ensuring the application forms are understandable and concise;
- ensuring that applicants receive precise information concerning stages and timing of decision-making;
- establishing realistic planning timeframes as well as adequate communication on the progress of funding applications, service standards for funding, and performance commitments (of departments and agencies and applicant organizations to provide full information in a timely manner); and
- identifying a point of contact for each funding program and including it in the application guide.

5.2.8 Efficiency and Effectiveness

The following good funding practices will contribute to improving efficiency and effectiveness:

- ensuring minimum duplication and maximum ease in application and reporting requirements, by encouraging the development and use across the Government of Canada of: generic, user-friendly forms and software; electronic application and reporting procedures; and one-time-only basic “boiler plate” data to be updated as required;
- developing less complex and shorter agreements for lower-cost, lower-risk projects, which will facilitate the application process;
- using a “risk-based” approach – based on modern financial management principles – to assess and monitor initiatives, and ensuring that it is proportionate to the organization’s level of funding and size and nature;
- recognizing the cost to voluntary sector organizations of monitoring and evaluation, and including it within the funding provided; and
- ensuring accurate and sufficient information is uniformly available to support quality decision-making and reporting on results.

5.3 Joint Responsibilities for Funding Practices

The following good practices will contribute to improving the way funds are disbursed and used:

- ensuring that assessment of the impact of funding policies and practices on projects and programs takes into account the varying circumstances in regions;
- developing evaluation tools (including third-party evaluations) intended to capture information to be used for measuring longer-term outcomes of funding at the departmental and agency program level, as opposed to the project level;
- establishing collaborative processes with clearly delineated roles and responsibilities, and reaching decisions about the funding process through collaborative processes; and
- outlining agreed-upon results/outcomes for financial programs/activities.

6. MOVING THE CODE FORWARD

The Government of Canada and the voluntary sector are committed to implementing the Code through a two-phase plan. The first phase will be broad dissemination and communication of the Code as guidance to both parties on ways to improve the approaches they use to apply direct funding policies and practices including strengthening the sustainable capacity of voluntary sector organizations to better serve Canadians.

The second phase of the implementation plan will be to work together to apply the Code, for example through briefings, workshops, seminars, pilot projects and case studies, and to monitor and assess the impact of the Code and increase understanding of how it can improve the funding relationship between both parties.

The Government of Canada and the voluntary sector are committed to using and being guided by the Code, to learning and improving the way they work together and to making positive and lasting behaviour changes. As they use it daily and weekly over time, across government departments and agencies, and throughout the voluntary sector, they will:

- discuss it and learn from one another;
- work to evolve their funding policies and practices; and
- propose reforms to make the Code more effective.

Results will flow from improved use of the array of good practices that are in place, from those proposed in this Code, and from those that will evolve with experience. Joint understanding of the mutual commitment of both parties to achieve progress together is key.

In An Accord Between the Government of Canada and the Voluntary Sector, both parties agreed on the need to report to Canadians on the status of the relationship and the results that have been achieved. Assessing the Code's use and effectiveness as a tool in meeting the Accord's goals will require periodic review, discussion, analysis, evaluation and reporting on the status of the

funding relationship across the Government of Canada and the voluntary sector. This may result in changes to the Code and the setting of new priorities for change and improvement.

Excerpt from the Accord: Definition of the Voluntary Sector

What is the Voluntary Sector?

An Accord Between the Government of Canada and the Voluntary Sector defines the voluntary sector as follows:

This sector consists of organizations that exist to serve a public benefit, are self-governing, do not distribute any profits to members, and depend to a meaningful degree on volunteers. Membership or involvement in these organizations is not compulsory, and they are independent of, and institutionally distinct from the formal structures of government and the private sector. Although many voluntary sector organizations rely on paid staff to carry out their work, all depend on volunteers, at least on their boards of directors.

Contributions of the Voluntary Sector

The voluntary sector is as diverse as the Canadian population. It has an estimated 180,000 organizations – 80,000 registered charities and 100,000 non-profit organizations. They differ enormously in their causes and constituencies, in size and resources, and in 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. These 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.

Many voluntary sector organizations do important work in a wide variety of areas, including sports and recreation, arts and culture, health, religion and environmental protection. 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. All of these activities help develop and support the social values in Canadian communities. Voluntary sector organizations make many contributions, including:

- 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.

Just as strong and healthy communities require a balance of economic and social capital, they also require a balance of economic and social values. This balance can be better achieved through mutually supportive relationships among the voluntary sector, governments, labour and the private sector. As previously discussed in section 3, the voluntary sector also contributes significant economic value across Canadian society.

The voluntary sector's breadth and diversity are among its principal strengths. Voluntary sector organizations provide 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 are too seldom heard. Voluntary and community activity are fundamental to a democratic, pluralistic and inclusive society. As well, the voluntary sector reinforces citizenship by engaging Canadians in expressing 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 acts to promote understanding, awareness, diversity, inclusion and social justice – connecting people locally, regionally, nationally and around the world.

Contributions of the Government of Canada

Almost every aspect of Canadian life is in some way affected by the Government of Canada. Every day, millions of Canadians rely on essential services provided by the federal government, including, for example:

- national security;
- peacekeeping;
- protection of rights and freedoms;
- environmental protection;
- protection of the health of Canadians;
- maintenance of national parks and treasures;
- communication and technology development; and
- transportation guidelines and services.

The Government of Canada also plays an important role in the development of Canadian and global economies. Further, it sustains relations with other countries and multilateral organizations. Finally, the federal government makes laws and rules that apply to all citizens and affect many aspects of Canadians' daily lives.

The total annual **direct** federal funding spent by the voluntary sector in 1997-1998 is estimated at \$2.2 billion in direct payments to support programs and services delivered by voluntary sector organizations.

In addition, **indirect** support is provided through \$1.5 billion in tax relief for donations made to registered charities (mostly originating from personal income tax credit on charitable donations).⁷

⁷ The source for these statistics on the federal government's direct and indirect support is: analysis of the Public Accounts of Canada carried out in 2001 by the Voluntary Sector Project Office of the Treasury Board Secretariat.

Voluntary Sector Purposes/Activities Funded by the Government of Canada

Program and service delivery: Funding may be provided to service delivery organizations that contribute directly to federal departmental and agency objectives. This funding is made available through project and organizational funding.

Strengthened sustainable capacity: Longer-term funding may be provided to help strengthen the capacity of voluntary sector organizations that work with federal departments and agencies on key policy goals to collaborate more effectively.

Departments and agencies also recognize the need to develop capacity over a longer period of time and may provide longer-term funding (three to five years) if organizations are able to produce specific performance outcomes. In addition to enabling the Government of Canada to ensure capacity exists, this funding:

- can enable funded organizations to develop and maintain a body of expertise;
- assists longer-term planning and stability within the voluntary sector;
- takes account of an organization's objectives as well as its need to operate efficiently and effectively; and
- covers a wide range of infrastructure costs such as: leadership, financial management, marketing management, organizational and human resource development, management information systems, research and development, client and funder accountability systems required for quality service delivery.

Alliances and partnerships: Funding may be provided for:

- networking;
- capacity-building at the multi-organization level;
- coalitions;
- associative relationships with other organizations; and
- joint action.

The policy development process: Funding may be provided for:

- identifying emerging policy issues;
- carrying out dialogue, discussion, debate and input on policy issues;
- doing research, consultation and input into policy development and implementation;
- providing resources and support to the wider voluntary sector; and
- contributing to particular policy objectives.

Advocacy: Funding may be provided to promote representative voices on emerging issues that are important to the delivery of departmental and agency mandates; and for advocating for changes in public policy. Advocacy is generally defined as “the act of speaking or of disseminating information intended to influence individual behaviour or opinion, corporate conduct, or public policy and law.”⁸

⁸ *Working Together: A Government of Canada/Voluntary Sector Joint Initiative: Report of the Joint Tables*, Voluntary Sector Task Force, Privy Council Office, Government of Canada, August 1999.

Research: Funding may be provided for research and development.

Innovation: Funding may be provided for innovative or pilot projects whose outcomes may benefit the sector as a whole or be transferable to other voluntary sector organizations.

Capital expenditures: Funding may be provided to purchase tangible productive assets such as equipment. In some exceptional cases, funding may also be provided to purchase land or buildings. Such assets help voluntary sector organizations provide continuous service and have a lifetime beyond the reporting period in which they were acquired.

Strategic Investment is an innovative approach that uses existing funding mechanisms to strengthen the capacity of organizations and enhance their ability to work collaboratively with federal government departments and agencies on agreed-upon goals over a specified period of time. This approach has been developed under the leadership of the Treasury Board Secretariat in consultation with the voluntary sector.

Types of Direct Funding Mechanisms

The three types of direct funding mechanisms are:

- **Contributions:** conditional transfer payments to an individual or organization for a specified purpose as set out in a contribution agreement. These funds must be accounted for and are audited. Other types of contributions include Alternate Funding Arrangements and Flexible Transfer Payments.
- **Grants:** transfer payments made to an individual or organization which is not subject to being accounted for or audited, but for which eligibility and entitlement may be verified or for which the recipient may need to meet pre-conditions.
- **Contracts:** transfer payments used when the federal government has a need for supplies or services. These payments go to individuals, firms or organizations that fulfil the terms of the contract.