



# What Constitutes an “Enabling Environment” for Canadian SMOs?

ANNUAL REPORT ON  
SMALL AND MEDIUM ORGANIZATIONS

Inter-Council Network 2023

# Acknowledgments

The Spur Change team would like to express heartfelt thanks to all the organizations that kindly completed the survey that was circulated in the Fall of 2022 as well as the 17 organizations that generously agreed to participate in interviews with the research team; it was through this engagement that the team was able to collect the findings presented in this report. The Spur Change program would also like to extend deep thanks to the members of the SMO research advisory committee for their support and guidance in shaping this SMO report for 2023. The SMO members include Denis Côté, Isabelle Hachette, Kelly James, John Millar, Judyannet Muchiri, Shawna Novak, Sandy Plamondon, Lorena Swift, and Lynn Thornton. Finally, the Spur Change program and the research team would like to express their appreciation to Heather Dicks, who was the lead writer of this report.

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## Research Team

The research team includes Andrea Paras (University of Guelph), Heather Dicks (Memorial University of Newfoundland and Labrador), John-Michael Davis (Worcester Polytechnic Institute), Craig Johnson (University of Guelph) and Asa Coleman (University of Guelph), in collaboration with Rachel Levee (Director, Spur Change Program, Inter-Council Network).

## Spur Change

The Spur Change program is a five-year initiative (2019-2024), operated by the Alberta Council for Global Cooperation (ACGC) on behalf of the Inter-Council Network (ICN) and funded by Global Affairs Canada. Spur Change aims to increase the effectiveness of Canadian small and medium-sized organizations (SMOs) in delivering sustainable results in support of Canada's Feminist International Assistance Policy and the United Nations Sustainable Development Goals. The main outcomes of the program are to increase the engagement of Canadian SMOs in global development and to increase the engagement of Canadians, particularly youth, as global citizens.

## Annual SMO Report

Once a year, Inter-Council Network publishes a report through the Spur Change program, which provides information about the state of SMOs in Canada. This year, based on feedback and advice provided by the SMO research advisory committee, Spur Change chose to explore the various aspects that make up an 'enabling environment' for development SMOs in Canada. The research team wanted to highlight the key components that facilitate SMOs' work and punctuate the Canadian experience with points of comparison from the US and Europe. This report is the product of a collaborative research initiative between Spur Change and researchers with the University of Guelph, the Worcester Polytechnic Institute and Memorial University of Newfoundland and Labrador. Previous SMO reports published by Spur Change are available at: <https://icn-rcc.ca/en/reports>



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# Table of Contents

<b>Acronyms</b> .....	<b>6</b>
<b>Executive Summary</b> .....	<b>7</b>
<b>Introduction</b> .....	<b>10</b>
<b>1. Funding</b> .....	<b>14</b>
Federal government funding.....	14
Provincial government funding.....	17
Canada’s broader philanthropic sector.....	18
<b>2. Policy and Regulatory Frameworks</b> .....	<b>22</b>
Access to government.....	22
Financial controls and concerns.....	23
<b>3. Collaboration and Innovation</b> .....	<b>26</b>
What is effective collaboration?.....	26
Reluctance to share.....	28
Space for innovation.....	29
<b>4. Public Engagement</b> .....	<b>30</b>
Informing and catalyzing the Canadian public.....	30
A shifting public engagement landscape.....	32

<b>5. The Varied Realities of SMOs</b> .....	<b>34</b>
Organization size .....	34
Faith affiliation .....	36
<b>Conclusion</b> .....	<b>39</b>
<b>References</b> .....	<b>40</b>
<b>Appendix 1: Research Methodology</b> .....	<b>42</b>

# Acronyms

<b>AFD</b>	Agence Française de Développement
<b>CIGS</b>	Citizen Initiatives for Global Solidarity
<b>CRA</b>	Canada Revenue Agency
<b>CSO</b>	Civil Society Organization
<b>FIT</b>	Fund for Innovation and Transformation
<b>GAC</b>	Global Affairs Canada
<b>GDP</b>	Gross Domestic Product
<b>GINGO</b>	Grassroots International Non-Governmental Organization
<b>ICN</b>	Inter-Council Network
<b>MRIF</b>	Ministère des Relations internationales et de la Francophonie
<b>NICRA</b>	Negotiated Indirect Cost Rate Agreement
<b>NGO</b>	Non-governmental Organization
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>PDI</b>	Private Development Initiative
<b>SMO</b>	Small and Medium-sized Organization
<b>UN</b>	United Nations
<b>USAID</b>	United States Agency for International Development

# Executive Summary

IN SEPTEMBER 2022, the research team met with an SMO research advisory committee and determined the theme of this year's SMO report: exploring what constitutes an enabling environment for Canadian SMOs. In terms of 'enabling environment,' the team took a somewhat open approach to this concept, leaving room for the research participants to define what this would mean to them. Broadly speaking, however, an 'enabling environment' was considered by the research team to constitute a supportive and conducive environment where SMOs feel they can effectively engage in their work.

To this end, the team launched a survey in October/November 2022 and then completed 17 semi-structured interviews with representatives from SMOs, provincial and regional councils for international cooperation, NGO network organizations, and a donor agency. The information gathered through the survey and interviews has been used here to describe and analyze the environment within which SMOs are operating in Canada. Drawing from other literature, the report is also dotted with points of comparison, illustrating the environment that is present in the US, the Netherlands, Flanders (northern federal region of Belgium) and France.

The main themes that arose through our research, in terms of what constitutes an 'enabling environment,' include: funding; policy and regulatory frameworks; collaboration and innovation; and public engagement. The team also noted varied realities of SMOs depending on size and whether or not they are faith-based.

Considering SMO **funding** in Canada, interview participants often turned their focus to government funding sources. They expressed appreciation for the SMO-specific funding that Global Affairs Canada had opened up in recent years, but also noted some key constraints and concerns associated with federal government funding. These included issues around stringent guidelines, arduous application processes, heavy reporting requirements and limited allowable overhead expenses. Beyond the federal government, some respondents noted provincial support available in both Quebec and Manitoba, which was seen as a positive contributor to the enabling environment in those regions.

For most Canadian SMOs, government funding does not factor into their portfolio; rather, they gather support predominantly through Canada's broader philanthropic sector. Commenting on this side of funding, interviewees noted that the philanthropic sector remains relatively small in Canada; interviewees felt that most donors were more interested in donating to causes in Canada rather than those occurring in the international cooperation space. While some philanthropic funding is apparently more flexible than government grants, respondents nevertheless pointed to a pervasive de-valuing of overhead costs among all donors.

Considering the **policy and regulatory frameworks** that SMOs must navigate within Canada, interview respondents pointed out both positive and negative aspects. To start, SMOs spoke quite positively about the process of obtaining charitable status in the country. They largely felt it was reasonable and transparent, and that there were significant benefits associated with the ability to provide charitable tax receipts. Conversely, interviewees noted concerns and constraints associated with the Canada Revenue Agency's regulations related to direction and control, as well as issues related to audits and liability.

Similarly, when considering **collaboration and innovation**, respondents reflected on both the positive and negative sides associated with each of these themes. While opportunities for collaboration were seen as essential, interview participants noted the importance of ensuring collaboration is meaningful and based on a shared vision and equal partnership. They noted constraints associated with the resources needed to seek out and maintain collaborative partnerships, as well as issues around sharing limited pools of funding in the case of collaborative programming.

Turning to the question of innovation, SMOs pointed to the inherent risks involved in pursuing innovative programming. For organizations that are trying to maintain strong partner trust and responsibly manage private donor dollars, these risks can seem too large. On the other hand, having donors that are willing to shoulder the risks associated with innovation was seen as hugely beneficial; GAC's Fund for Innovation and Transformation (FIT) came forward as a clear example of an enabling component in this space.

Interview participants noted the important role that SMOs play in **public engagement**, that is, creating opportunities for Canadians to learn about and engage in discussions around international cooperation. They noted that while Canadians are interested in global issues, it can be challenging to harness this interest into active engagement in this arena. Interviewees noted an urgent need to ensure the Canadian public gains a stronger understanding and appreciation for the deep issues that run through international cooperation efforts. Technology can both add to and detract from these efforts – facilitating a more expansive reach, while also pulling the public's attention in a multitude of directions.



A final theme that emerged throughout the interviews was the **varied realities of SMOs**. While diverse organizations will inherently experience different challenges and opportunities, we found that two of the most salient delineations associated with SMO experiences were size and faith affiliation. Considering the breadth of organizations that fit within Canada's definition of 'SMO,' the research team found considerable differences in the experiences between those considered among the micro and small organizations, as compared to medium organizations. On one side, the smaller entities tend to be more flexible and closer to the ground. Conversely, their medium counterparts benefit from greater capacity and a larger resource pool to rely on for their operations.

In terms of faith affiliation, interviews with representatives working with Christian SMOs revealed clear advantages of being part of a faith community in Canada. These participants pointed out that their religious affiliation enables them to reach a natural constituency of people and draw support from interested individual donors. They also noted the ability of faith-based SMOs to bridge international divides when working with local partners using shared faith as a common platform. That said, increasingly, faith-based SMOs find they must navigate a more secular and diverse public in their efforts to garner support for their international cooperation work.

This report is meant to serve as a learning tool for all Canadian international cooperation actors. In analyzing both the challenges and benefits associated with Canada's enabling environment, it identifies ways to strengthen and facilitate the crucial international cooperation work carried out by Canadian SMOs.

# Introduction

SMALL AND MEDIUM-SIZED ORGANIZATIONS (SMOs) have long played a critical role within Canada's international cooperation landscape. Growing out of a rich civil society within the country, SMOs feature as nimble grassroots players with the capacity to connect Canadians directly with communities in other countries and regions in an effort to address critical needs (Davis, 2020; Dicks et al., 2023; Spur Change Program, 2020).

The ability of SMOs to emerge and thrive in many ways is contingent upon the environment within which they are established. An environment with favorable policies and where opportunities for funding, public engagement, networking, and collaboration abound is fertile ground for a vibrant civil society, including strong and well supported SMOs.

On December 1<sup>st</sup> 2011, at the Fourth High Level Forum on Aid Effectiveness held in Busan, the global community explicitly noted the important role of civil society organizations (CSOs) and, in so doing, committed to ensuring the existence of an enabling environment to facilitate their work (OECD, 2011). Furthermore, in July 2021, the OECD DAC put forward key recommendations on "Enabling Civil Society in Development Co-operation and Humanitarian Assistance." These recommendations broadly fall into three main pillars (OECD, 2021):

1. Respecting, Protecting and Promoting Civic Space
2. Supporting and Engaging with Civil Society
3. Incentivizing CSO Effectiveness, Transparency and Accountability

These commitments illustrate a global recognition on the important role that SMOs and other civil society actors play in international cooperation and the importance of facilitating this work through a broader enabling environment.

In September 2022, the research team met with an SMO research advisory committee to discuss possible avenues of research that could be pursued. They noted that, while the Canadian government's more recent funding commitments have undoubtedly pointed to an increased recognition of the important role of SMOs, there is still the broader question of whether these organizations are operating within an 'enabling environment' in this country. Unpacking this question is the central focus of this report.

In terms of 'enabling environment,' the team took a somewhat open approach to this concept, leaving room for the research participants to direct what this would mean to them. Broadly speaking, however, an 'enabling environment' was considered by the research team to constitute a supportive and conducive environment where SMOs feel they can effectively engage in their work.

In order to establish a deeper understanding of what constitutes an ‘enabling environment’ within the Canadian context, the team sent out a survey to SMOs across the country, which included multiple choice questions related to various aspects associated with operating an SMO in Canada. It also included the overarching question: **“Do you believe that there is a supportive enabling environment for development organizations in Canada?”** As we can see in figure 1 below, less than half (38%) of respondents stated “yes” to this question, with 30% reporting “no” and 32% stating they were unsure.

**Figure 1:** SMO responses regarding Canada’s enabling environment

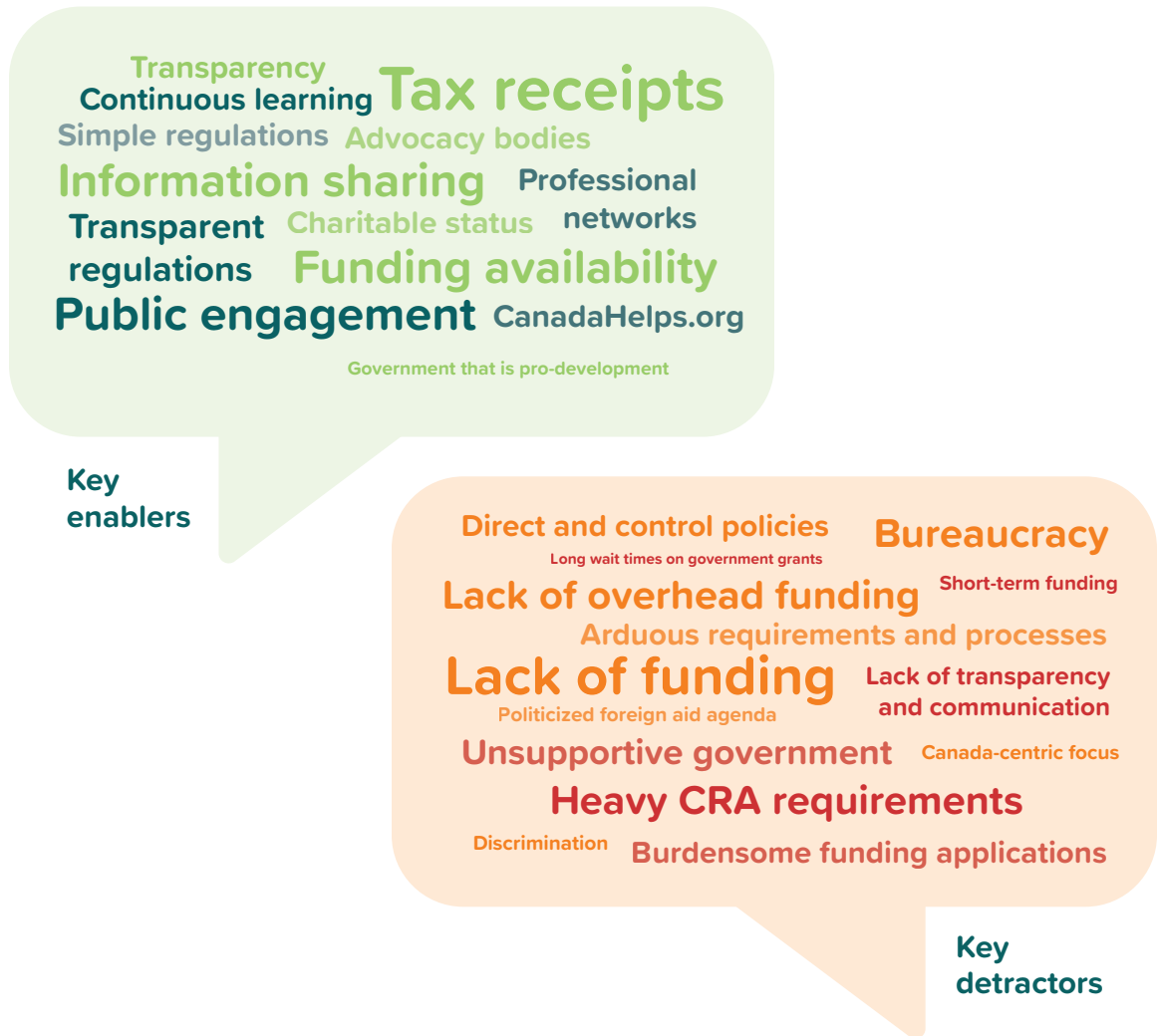
**“Do you believe that there is a supportive enabling environment for development organizations in Canada?”**

- 38% Yes
- 32% Unsure
- 30% No



Respondents were also asked “In your opinion, what contributes to an effective enabling environment for Canadian development organizations? Conversely, what detracts from an effective enabling environment for Canadian development organizations?” In response to this question, SMOs generously commented on both the positive and negative aspects associated with working as an SMO in the Canadian context. The main themes that emerged from this open-ended question are captured in the word clouds below (see figure 2 next page). **Those words that appear largest represent the terms/ideas that were most commonly captured in the text box answers.**

**Figure 2: Most common SMO text responses regarding Canada’s enabling environment**



After the survey results were compiled, the research team completed semi-structured interviews with 17 representatives from SMOs, provincial councils, NGO network organizations and a donor agency. Through these interviews, the team was able to explore the experiences of Canadian SMOs in greater detail, including their perceptions around Canada’s enabling environment. The team also spoke with representatives in the US and gathered relevant research findings associated with the experience of SMOs in the US, the Netherlands, Flanders (northern federal region of Belgium), and France as a means of comparison. While each country context holds a unique understanding of SMOs (see Point of comparison #1), comparing the realities associated with operating an SMO in each of these countries provides valuable insights that may help inform Canada’s enabling environment moving forward.

### Point of comparison #1: Diverse definitions of ‘SMO’

The definition of what we in Canada call an ‘SMO’ varies extensively from one country to the next. In Canada, the government defines it as any organization with revenues of no more than CAD \$10 million (educational institutes are excluded from this limitation), and with overseas expenditures of no more than CAD \$2 million each year (Government of Canada, 2021).

In the US, rather than speak of SMOs, the preferred term is Grassroots International Non-Governmental Organizations (GINGOs). Research on GINGOs often encapsulates NGOs with revenues that amount to no more than USD \$1 million (CAD \$1.38 million); however, in other cases, the emphasis is on those organizations that only report USD \$250,000 (CAD \$340,000) or less in revenues (Schnable, 2021).

Meanwhile, in the Netherlands, SMOs are referred to as Private Development Initiatives (PDIs). Organizations considered PDIs must be largely volunteer-driven, with no more than 20% of the staff representing regular paid staff. Moreover, PDIs have less than 20 people on full-time staff and their annual budget is under €1 million (CAD \$1.48 million) (Kinsbergen and Schulpen, 2009). This same budget limit has been applied to the case of Flemish and French PDIs (otherwise called Citizen Initiatives for Global Solidarity, or CIGS) within some research (Kinsbergen et al., 2022a, Kinsbergen et al., 2022b).

Compared with other country contexts, Canada takes a much more expansive definition of what constitutes an SMO. This generous definition itself impacts the enabling environment that is fostered for SMOs in this country, because organizations of different size have varied experiences of this environment. These differences are captured in section 5 of this report, which focuses on the varied realities of SMOs.

***Please note:** for the purposes of this report, we will refer to those smaller organizations engaged in international cooperation work across all country contexts as ‘SMOs’.*

In terms of what constitutes an ‘enabling environment’ in Canada, based on findings from the survey and interviews, the research team identified five overarching themes around which this report has been framed: (1) Funding; (2) Policy and regulatory frameworks; (3) Collaboration and innovation, and (4) Public engagement. The team also noted important differences between the experience of SMOs, which has informed the fifth section in this report: (5) The varied realities of SMOs.

# 1

## Funding

WHEN CONSIDERING what constitutes an enabling environment for Canadian SMOs working in the field of international cooperation, many SMOs centered their response on issues associated with funding. Several interview participants directed their attention to government funding sources; these conversations principally revolved around the federal government, although some respondents also reflected on provincial government support. For the majority of Canadian SMOs though, government funding remains out of reach. Instead, they must tap into Canada's broader philanthropic sector in their search for financial support. SMOs turn to foundations, other organizations, and the general public in these efforts.

### Federal government funding

Since 2017, Global Affairs Canada (GAC) has dedicated \$123 million "to a pilot initiative targeted at Canadian small and medium organizations (SMOs)" through three programming windows: the Development Impact Window, the Fund for Innovation and Transformation (FIT) and the Spur Change program (Government of Canada, 2022b). According to interview participants, this funding has been of tremendous benefit. SMOs appreciate the fact that the government has funded initiatives that specifically support their projects, innovations, and capacity building activities. Interviewees noted, however, that funding made available through GAC remains relatively small considering the overwhelming competition that SMOs face as they try to secure resources through these windows.



**I think the funding of Spur Change and the FIT program has been really good for SMOs that are already in the loop with the government's communications – and for those who aren't.**



In discussions regarding GAC funding opportunities, SMOs noted concerns associated with the restrictions and regulations surrounding these funds. They noted that grants are short-term, unpredictable, inflexible, and pre-determined by the priorities of the Canadian government. They found this to be counter to more localized program models, which are meant to place decision-making power in the hands of local partners.

A common concern among SMOs regarding federal government funding centered on administrative costs. They noted the lack of consideration of organizations' overhead costs, suggesting that the government viewed these costs as wasteful and existing only adjacent to gains in international cooperation. As a result, there is very little funding that is permitted to be directed to these costs, which makes it difficult for SMOs to hire qualified staff and support their programs. It is important to note that this particular complaint was not limited to government funding but was also raised as SMOs discussed other funding opportunities throughout the broader philanthropic sector in Canada.

## Point of comparison #2: USAID's Negotiated Indirect Cost Rate Agreement

Funding provided by GAC allows a fixed overhead contribution rate of 12%, in keeping with the government's "Overhead Compensation Policy for Non-Repayable Contribution Agreements with Canadian Organizations under the International Development Assistance Program" (Global Affairs Canada, 2016). USAID, however, has a system in which it calculates the overhead costs associated with specific organizations. This rate is referred to as a Negotiated Indirect Cost Rate Agreement (NICRA). According to USAID, the NICRA is:

A document published to reflect an estimate of indirect cost rate negotiated between the Federal Government and a Grantee/Contractor's organization which reflects the indirect costs (facilities and administrative costs) & fringe benefit expenses incurred by the organization that will be the same across all the agencies of the United States (USAID, 2022)

Tailoring the indirect costs to each organization allows the US government to more accurately and effectively cover the overhead costs that are unique to each operational model. That said, indirect costs continue to be looked down upon and thus are minimized as much as possible in the US context as elsewhere; moreover, not every organization will have a NICRA. For those who do not, USAID has committed to allotting at least 10% of funding to cover indirect costs (Etzel & Prasad, 2016).

Interview participants further pointed out that federal funding mechanisms – especially those directed at SMOs – should be designed in a way that takes into account SMOs' limited administrative capacity relative to larger entities. For many SMOs, the arduous application process, extensive reporting requirements, and long waiting times post-proposal submission amounted to prohibitive obstacles. While large organizations may have teams of staff that can dedicate their time and energies as well as a float of resources to carry them through wait times, this is not the case for SMOs. These small and medium-sized organizations are more likely to be reliant on volunteers and to be operating day-to-day on a more limited pool of resources.

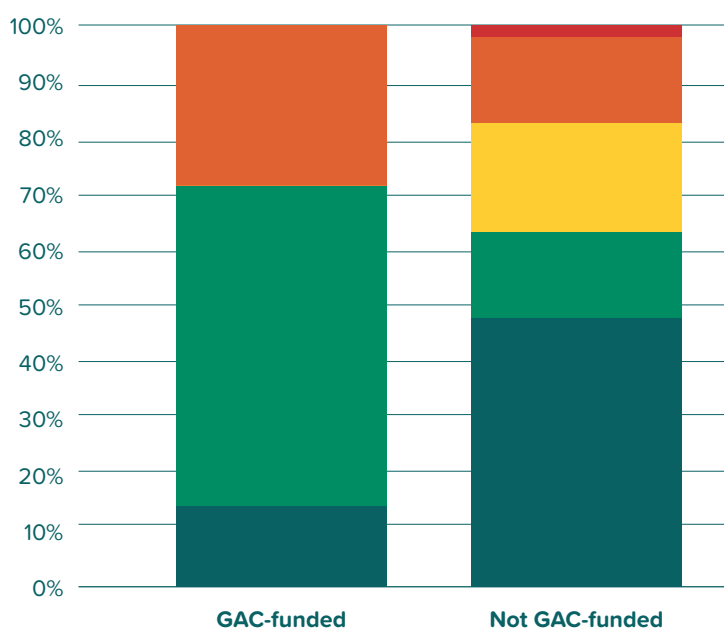
Finally, there were some concerns regarding the government's communication of funding opportunities and allotments. In general, organizations did not fully understand how Canada's foreign aid portfolio was being disbursed or how organizations were being added to distribution lists to find out about opportunities as they arose. They also lacked understanding when it came to GAC's decisions around proposal selections. Interview respondents commented that clear and deliberate explanations associated with unsuccessful proposals would be appreciated. While organizations do have the option of following up with GAC in the case of a rejection, it was suggested that the federal government could instead be forthcoming with a clear document provided to unsuccessful organizations explaining why they were not selected.

The concerns raised by interview participants were also reflected in the survey findings; **the majority (64%) of SMOs stated that they either disagreed (43%) or somewhat disagreed (21%) with the statement “the Canadian federal government has made funding easily accessible to development organizations.”** This trend remained relatively stable even when disaggregating survey responses between those that were receiving funding from GAC and those that were not (see figure 3 below).

**Figure 3:** Comparing SMO perceptions on federal government funding across those receiving GAC funding and those that are not

**“The Canadian federal government has made funding easily accessible to development organisations.”**

- Strongly Agree
- Somewhat Agree
- Neutral
- Somewhat Disagree
- Strongly Disagree



Interview respondents did not solely point to the federal government’s flaws but were thoughtful in their assessment of the funding opportunities that were available. They discussed some best practices as well as suggestions for how funding could be more appropriately allotted in the context of international cooperation.

For instance, one respondent suggested that the Canadian government could consider holding some of its foreign aid budget in an unearmarked envelope for organizations already in the field during complex crisis situations. This funding would not be project-driven but would remain flexible. The respondent noted a model of this nature would prove tremendously impactful in the context of responding to immediate on-the-ground needs but admitted that flexibility of this nature comes with risks, which the government may be unwilling to consider within its aid portfolio.



Another respondent noted an effective approach that the federal government had begun to employ over the past 5-10 years in its allotment of overseas funding. They noted that within this timeframe, Canada had given more decision-making power to its high commissions and embassies overseas. They said this was a positive contribution to Canada's enabling environment as it allowed Canadian government funding decisions to take place closer to the ground.

“

The trade commissioners, the embassies, and consulates around the world have gotten a much bigger role in the enabling environment. Although they're not on Canadian soil, they are Canadians working abroad, working with the beneficiaries or those who could be beneficiaries of Canadian aid. They have become a much larger enabler in the last couple of years, the last 5-10 years.

”

### Provincial government funding

Outside of federal government funding, there was also recognition that provincial governments have a role to play in creating an enabling environment for SMOs. In discussions around the differences across provinces, Quebec stood apart as an exemplary case in terms of providing effective support for SMOs in international cooperation.

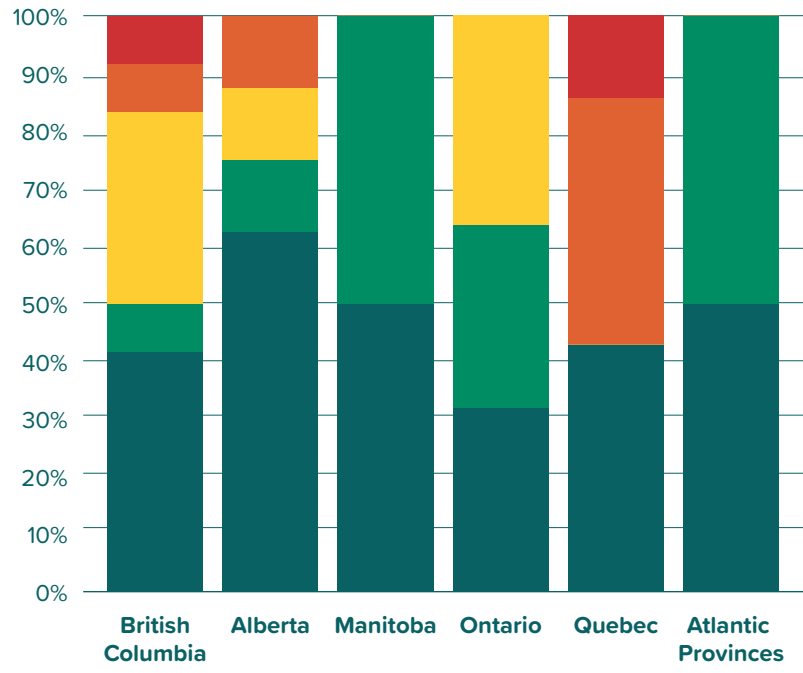
The Ministère des Relations internationales et de la Francophonie (MRIF) has not only made funding available but has begun offering funding that supports the mission of an organization, rather than limit its grants to project-based activities. This mission-level funding allows organizations to be flexible and creative with their money and effectively engage in the work that is central to their organization and its partners. The MRIF further provides direct feedback to organizations when they are unsuccessful in receiving funding, something that has been noted as a best practice and something that could be replicated by other donor agencies, including GAC. Finally, funding provided through MRIF is also deliberately designed with more regional representation in mind; policies around funding allotments ensure that organizations based in the central urban hubs of Quebec will not disproportionately benefit from provincial government support.

Looking at survey respondents, **Quebec is indeed the only province where the majority (57%) of SMOs stated they either somewhat agreed (43%) or strongly agreed (14%) with the statement “the provincial government where my organization is located provides a supportive environment for development organizations”** (see figure 4 next page).

**Figure 4: Comparing SMO perceptions on provincial government support across provinces**

**“The provincial government where my organization is located provides a supportive environment for development organisations.”**

- Strongly Agree
- Somewhat Agree
- Neutral
- Somewhat Disagree
- Strongly Disagree



Number of respondents: British Columbia (12), Alberta (8), Manitoba (2), Ontario (22), Quebec (7), Atlantic Provinces (2)

Manitoba is the only other province that currently has a pool of funding available for work in the field of international cooperation.<sup>1</sup> Interview participants noted that this funding has been very beneficial as it is currently offered in smaller grant sizes through a leaner more accessible application process.

Aside from these two provinces, Alberta and Saskatchewan previously regularly supported international cooperation efforts, but have since halted this funding. Canadian provinces, at times, do provide humanitarian assistance support, however, this funding is much more ad hoc, and it did not emerge in interviews as contributing to an enabling funding environment for SMOs in Canada.

### Canada’s broader philanthropic sector

While there are opportunities to raise funds through Canada’s philanthropic sector, the research participants reported that these opportunities are not particularly abundant. SMOs feel a need to compete in order to capture the attention of foundations as well as the general public. Within this space, SMOs are also competing against larger organizations, which generally have greater resources, expertise, and capacity to go after these pools of funding.

<sup>1</sup> Despite the existence of provincial funding in Manitoba, the survey respondents disagreed that the provincial government provided a supportive enabling environment. We interpret this as a function of the small sample size: only two survey participants were from Manitoba-based organizations.

### Point of comparison #3: Most common donors for European and North American SMOs

European SMOs:	North American SMOs:
<p><b>Flanders:</b></p> <ol style="list-style-type: none"> <li>1. Private individuals</li> <li>2. Government</li> <li>3. Schools</li> </ol> <p><i>Source: Kinsbergen et al., 2022a</i></p>	<p><b>USA:</b></p> <ol style="list-style-type: none"> <li>1. Private individuals</li> <li>2. Private foundations</li> <li>3. Other NGOs</li> </ol> <p><i>Source: Schnable et al., 2022</i></p>
<p><b>Netherlands:</b></p> <ol style="list-style-type: none"> <li>1. Private individuals</li> <li>2. Businesses</li> <li>3. Other NGOs</li> </ol> <p><i>Source: Kinsbergen et al., 2022a</i></p>	<p><b>Canada:</b></p> <ol style="list-style-type: none"> <li>1. Private individuals</li> <li>2. Private foundations</li> <li>3. Corporate donations</li> </ol> <p><i>Source: Paras et al., 2020</i></p>
<p><b>France:</b></p> <ol style="list-style-type: none"> <li>1. Private individuals</li> <li>2. Government</li> <li>3. Other NGOs</li> </ol> <p><i>Source: Kinsbergen et al., 2022a</i></p>	

At times, the competition is so daunting that SMOs do not see enough benefit from dedicating their time trying to capture the attention of would-be donors; they instead choose to stick with the private donor base they have already attained, without making efforts to expand further. The existing private donors associated with SMOs often represent connections made through friendships, family ties, or other networks connected to the organization’s board, volunteers, or staff.

The challenges associated with accessing varied funding sources was strongly echoed in the survey results. **Two-thirds of SMOs (67%) stated that they either disagreed (48%) or somewhat disagreed (19%) with the statement “there are a wide variety of sustainable funding sources that are accessible to my organization”** (see figure 5 next page).

**Figure 5: SMO responses regarding the accessibility of varied funding sources**

**“There are a wide variety of sustainable funding sources that are accessible to my organization.”**

- Strongly Agree
- Somewhat Agree
- Neutral
- Somewhat Disagree
- Strongly Disagree



When talking about the challenges associated with diverse funding sources, many of the issues that were raised reflect the same concerns as with government funding. To start, interview respondents commented that donors tend to de-value overhead costs. The lack of financing directed to these costs can stifle SMOs’ ability to acquire the human resources needed to ensure effective long-term programming. Much like government funding sources, SMOs also noted that grants offered through foundations and other similar entities are often limited in their scope. Each donor holds their own agenda regarding what types of international cooperation activities are worth funding and which fall outside of their donor portfolio. This makes it difficult for SMOs to maintain a flexible demand-driven approach to their programming when they receive these allotments of funding.

Importantly, these complaints were not unanimous. For instance, one respondent noted a positive experience they had with a foundation through which they were receiving funding. They noted that this funder chose to support the mission-level of the organization and left programming open and flexible, at the discretion of the organizational leadership. This gave them the space to grow and build capacity, as well as pivot during COVID-19.

**“There is a very enlightened and progressive approach to foundation funding that we have a little bit of experience with, in which they follow that kind of a model in which they said, ‘Look, we’re going to evaluate your strategic plan and your accomplishments to date. We want to hear what you’re going to be doing, but we’re not going to restrict you in a rigid kind of way. What you’re doing, we’ll evaluate that after three years, whatever the case may be.’”**

A separate obstacle that was raised by interview respondents was a ‘Canada versus international’ funding gap. They noted that, as a whole, the philanthropic sector within Canada is much more interested in funding development programs that are targeting *Canadian* communities. Donors want to spend their dollars on activities that will benefit the situation in their home communities, and they want to see the benefits first-hand.

“

**I think, firstly, Canadian philanthropists want to kind of give at home; they want to give in their cities, they want to give in their country. They want to see the impact of it. They want it to be concrete, and they want to be able to see it and feel it. [For example,] they want to fund a hospital wing, or they want a museum, or they want a kids’ breakfast meal program.**

”

With this in mind, some organizations have chosen to straddle a Canadian and international programming portfolio, supporting projects both at home and away. This model allows them to take advantage of a much more diverse pool of funding. Some SMOs noted being able to draw funding from federal and provincial funding schemes meant to support, for instance, marginalized members of the Canadian workforce. For those SMOs that are singularly focused on issues that lie beyond Canadian shores; however, the pool of funding they can access is more limited.

# 2

## Policy and Regulatory Frameworks

BEYOND GOVERNMENT FUNDING, there were also discussions with interviewees around broader policy and regulatory frameworks that either enable or inhibit effective efforts in international cooperation. These conversations revealed themes associated with access to government, financial controls, and other legal concerns.

### Access to government

According to interview participants, a foundational component associated with an enabling environment for Canadian SMOs is meaningful access to government. At its base, this requires a thriving democracy, such that SMOs and civil society in general have the space to engage with political processes. Interviewees noted the important role the Canadian government holds in promoting and preserving this underlying requirement; they expressed their appreciation for the government's continued efforts to create this space as well as GAC's overall respect for civil society engagement and the role of SMOs. Notwithstanding this appreciation, interview participants mentioned some areas where the government could improve SMOs' capacity to effectively raise their voices and engage with relevant government stakeholders.

SMOs are, by their nature, smaller and not as heavily resourced as their larger counterparts. They are often volunteer-run and do not have an office presence in Ottawa. Meaningful efforts thus need to be initiated by the government to ensure they can be folded into advocacy and consultation work. To start, interviewees commented that an enabling environment might include resources for SMO representatives to come to Ottawa and engage in discussions. They also commented on the need for government consultative processes to be more deliberately inclusive in their design. They noted how, at times, the government would reach out for consultation on an issue, but that the timelines were too tight for the opportunity to effectively be shared broadly and comments gathered effectively from a diversity of voices. These rushed consultative processes inevitably lead to SMOs being unable to contribute to government processes in any substantial way.



**Access to government enables effective advocacy - and resourcing enables effective advocacy. So there needs to be diverse sources of funding that are devoted to advocacy. There needs to be expertise. I think advocacy is another skill set. It's not a fundraising skill set. It's not a programming skill set. It's a government relations and policy influencing skill set. I think there's a range of conditions that need to be in place for organizations to be effective advocates.**



A positive outcome of COVID-19, according to interview participants, is that the Canadian government has moved towards more virtual engagement with SMOs. Prior to the pandemic, GAC restricted its communications to email, telephone and in-person meetings. Organizations that were based outside of Ottawa felt at a considerable disadvantage in that they had to rely on the clumsier technologies of email and telephone, while their larger, more centralized counterparts could benefit from in-person communication. Since the pandemic, the government has embraced video calls, and numerous interview participants commented that this has been a welcome change.

### Financial controls and concerns

Turning to the Canadian regulatory framework, a key consideration within an ‘enabling environment’ is the ability of SMOs to acquire charitable status. While there were some exceptions, most interviewees believed Canada’s process for obtaining charitable status was reasonable and transparent. This was further echoed in the survey findings: **a full 75% of respondents stated that they either somewhat agreed (38%) or strongly agreed (38%) with the statement “the process of attaining and maintaining charitable status is transparent and reasonable”** (see figure 6 below). Numerous interviewees also readily pointed to the ability of charities in Canada to provide charitable tax receipts to donors as hugely beneficial and a key enabler within the Canadian context.

**Figure 6:** SMO responses regarding the process of attaining and maintaining charitable status

**“The process of attaining and maintaining charitable status is transparent and reasonable.”**

- Strongly Agree
- Somewhat Agree
- Neutral
- Somewhat Disagree
- Strongly Disagree



Moving beyond regulations associated with charitable status, interview respondents noted serious concerns associated with Canada’s regulations around direction and control. These regulations are captured within the Canada Revenue Agency’s Income Tax Act and require that “when a charity transfers resources to its intermediary, it must direct and control the use of those resources.” This regulation calls on charities to maintain clear and detailed records associated with how it is directing and controlling its resources when providing these to a second party (such as a local partner). According to this regulation “the books and records should be sufficiently detailed to allow the Canada Revenue Agency (CRA) to verify that all of the charity’s resources have been used for its own activities” (Government of Canada, 2022a).

Several participants readily pointed to the colonial nature of this approach to financial oversight and expressed the need for drastic improvements to these regulations. Some interviewees were optimistic that forthcoming changes to these regulations might herald in the changes needed, while others remained skeptical.



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**There are all sorts of structures that get in the way of good local community development that are baked into our colonial systems. I think that that’s been reflected in the direction and control stuff. Even the reporting on funding, it’s sort of like, well, we as the funders know what’s right and so you need to report back to us on our priorities... There needs to be some sort of mechanism for communal accountability in participating in this type of work, but that doesn’t mean that the funders are the right ones, because the people who have money have long been seen as the ones who are the right ones, but that’s not necessarily the case.**



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Colonial practices were also said to have spilled into other regulatory frameworks as well: organizations pointed to numerous friction points associated with Canadian processes and localized models of international cooperation. For example, one organization hired local (non-Canadian) representatives as their directors in the field, giving them financial decision-making power. This organization, however, faced considerable obstacles and challenges associated with banking and tax processes in Canada; these systems rigidly requested representative contact people to be based inside the country.

Some organizations also said that they found tax regulations around charities to be ambiguous and difficult to understand. This confusion left SMOs strained under the fear that they were somehow not complying with Canadian regulations and that this would only become clear in the case of an audit. For those interview participants that had been involved in audits the burden they had endured was palpable. They noted that while larger organizations may be able to hire experts to deal with an audit, a small volunteer-run organization does not have this luxury and, as a result, they are forced to handle everything in-house. They commented that a full audit had the capacity to grind their work to a standstill as their small team was forced to divert their attention to the onerous audit process.



Another broad regulatory concern that was raised by interviewees was around liability. Under Canadian law, liability cannot be signed away using a waiver. Given the inherent risks associated with working in international cooperation, SMOs are forced to fearfully live under the threat of being sued should someone get injured while traveling or volunteering with them. While larger organizations might be able to afford robust insurance policies, SMOs cannot afford to have the same level of coverage and thus liability remains a concern.

Finally, while not relevant across all SMOs, for those involved in or wanting to engage in future work in Afghanistan there are barriers associated with the Canadian Criminal Code. The stringency of the rules around funding terrorist entities has been preventing organizations from being able to engage in Afghanistan since the Taliban re-took government control in 2021. The rigidity of these rules was seen as a serious obstacle as SMOs wish to provide support and relieve suffering in that country.

#### Point of comparison #4: Registering SMOs in Europe

Compared to Flemish and French SMOs, Dutch SMOs must navigate notably larger bureaucratic hurdles in order to gain recognition and legal authority to engage in their international work.

In **Flanders**, SMOs can operate without any legal registration, if they choose. In so doing, they have no legal requirements placed on them associated with reporting or financial tracking, but they also cannot issue charitable tax receipts. Alternatively, they can register as a non-profit organization, which incurs a minor expense associated with a publication in the Belgian Official Gazette (estimated cost of 135 euros to 190 euros / CAD \$200 to \$280). Once they have obtained this status, they must publish annual reports and hold annual meetings (among other minor requirements) (Kinsbergen et al., 2022a).

In **France**, individuals can freely start an SMO without any registration. If they wish to formalize their venture, however, and engage in activities like fundraising or open a bank account, they must go through a free (online) registration process. To be eligible to do so, they must formalize the roles and responsibilities in their organization and draft up statutes. They do not need to publish their annual reports (Kinsbergen et al., 2022a).

**The Netherlands** has a multi-step bureaucratic process that SMOs must undertake to be recognized in the country. Organizations must first complete a registration process, which requires them to form a board of directors and formalize the roles and responsibilities within their organization; there is also a cost of 350 euros (CAD \$520) for this initial registration. Without completing this registration, organizations are unable to engage in any formal activities. Thereafter, an additional step is required for those SMOs that wish to become a full charitable organization with the capacity to issue charitable tax receipts. SMOs with this charitable status are required to have a policy plan in place and publish annual reports (Kinsbergen et al., 2022a).

# 3

## Collaboration and Innovation

DURING INTERVIEWS, most participants agreed that SMOs' ability to collaborate with one another contributes to an effective enabling environment in Canada. Similarly, having the space and opportunity to innovate was seen as valuable among the majority of SMOs. Both collaboration and innovation, however, represent complex endeavours and many interviewees spoke at length about the opportunities and challenges associated with each.

### What is effective collaboration?

While interview participants recognized that there is value in collaboration, there was agreement that collaboration just for collaboration's sake is not worthwhile. Ultimately, collaboration should be undertaken with the overall goal of better serving SMOs' local partners and project participants. According to interviewees, effective collaboration happens when organizations can come together on an issue that they are passionate about. These organizations must be able to start with a shared vision and then transparently agree on the roles that each entity will take.

When SMOs were asked in the survey if they agreed with the statement **“my organization is able to collaborate with or learn from a broad network of development organizations from across the country,”** just under half (46%) said they either somewhat agreed (37%) or that they strongly agreed (9%) (see figure 7 below).

**Figure 7:** SMO responses regarding their ability to collaborate and learn from other organizations

**“My organization is able to collaborate with or learn from a broad network of development organisations from across the country.”**

- Strongly Agree
- Somewhat Agree
- Neutral
- Somewhat Disagree
- Strongly Disagree



Collaboration has the capacity to foster joint learning and the sharing of best practices. It also enables organizations to build on one another's capacities through joint programming. Finally, it can help SMOs engage in more effective advocacy, as they join in a united voice on key issues related to international cooperation.

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Interviewees noted that since the COVID-19 pandemic, more virtual spaces have opened up for collaboration and coordination, and this has expanded the opportunities available to SMOs. They furthermore pointed out that both the provincial and regional councils for international cooperation, including the Spur Change program, and NGO network and support organizations serve a critical role in facilitating collaboration. They also highlighted networking events and GAC-funded trainings as effective arenas for making connections and knowledge sharing.

On the topic of learning, interviewees spoke positively of the opportunities that were available. That said, one respondent commented that trainings could be improved with a follow-up mentorship component; this would provide SMOs with active touchpoints should they encounter difficulties as they try to implement best practices learned within training modules.

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**There’s a real emphasis on providing trainings to small and medium-sized organizations – providing capacity building – but from our learning, the mentorship piece is the most important. You can do a really quality week-long training, but if there’s nobody to talk people through their problems/challenges and follow up with them, set learning goals with them, support them on a more regular basis, it doesn’t work in our experience. For all organizations, they’re going through learning processes that are usually experiential, and the going alongside somebody who has experience is an invaluable part of that.**

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While collaborations were valued by interview participants, for many SMOs the resources required to seek out, establish, and maintain active partnerships seemed prohibitively large. Canadian SMOs are already actively collaborating with their local partners and their time is stretched thinly as it is. For collaboration to be effective, SMOs need to be willing to spend the time to genuinely seek out other organizations and then get to know them. These activities take time and money, neither of which is in high supply among SMOs.

## Point of comparison #5: SMO collaborations with larger NGOs in Europe

In France, the Agence Française de Développement (AFD) openly promotes collaborative partnerships between SMOs and larger NGOs. In July 2019, they released a call for proposals under a “plateforme des microprojets” to provide assistance and support to micro-projects in support of international solidarity. In this call for proposals, they note the agency’s desire to see micro-projects brought into the broader field of international cooperation happening through French NGOs (AFD, 2019). Not surprisingly, given this push from the French government, SMOs in France have noted engagement with larger NGOs – either being approached directly or reaching out themselves – in order to explore collaborations. Conversely, in Flanders and the Netherlands, SMOs report feeling shunned by larger NGOs; this naturally limits any possibility for genuine collaboration between SMOs and other NGOs in these two regions (Kinsbergen et al., 2022a)

### Reluctance to share

Additional concerns were raised by interviewees around the issue of resource sharing within collaborative joint programming. Considering the fact that SMOs already hold concerns regarding the limited overhead funding allotted within grants, it is not surprising that they are reluctant to share this small pot in collaborative ventures. There is an expectation among donors that the overhead costs associated with consortium-led projects will be similar to those led by a single organization. This assumption does not always reflect the reality of working in collaboration.

With two separate organizations, there are frequently separate expenditures associated with office spaces, support staff, and administrative costs. There are also added time and resource demands associated with the coordination of activities across two or more organizations. Project budgets, regrettably, do not make allowances for these elevated costs. As such, the prospect of collaborating may not seem feasible to SMOs. Instead, organizations may look at one another as competition in the perpetual fight to secure funding. Interviewees noted that SMOs, at times, can become possessive of the space they have carved out for themselves – the donors they have found, the grants they have acquired, even the project participants that they have engaged in their projects – all in an effort to protect their limited pool of resources.

“

It just gets into issues around the scarcity mindset, especially with funding... It's like don't reinvent the wheel. We've done this. We know how it works. But then it's like who's getting the money? There's only so much money and so, because there's not a lot of money in general, we don't necessarily have the resources to pay you as an organization for your expertise to train us and teach us and share your resources that are tried and true. We're just going to go do it on our own... And so you end up with more reinventing the wheel, duplicating work, just because it literally doesn't pay to collaborate... That whole scarcity mindset around 'I've got to get this because otherwise you will, and then I won't.'

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## Space for innovation

Interview participants connected the pursuit of innovation to the issue of risk: to innovate is to inherently take a risk. So who should shoulder this risk? And what is an appropriate level of risk tolerance within an organization?

Some interview respondents noted that SMOs are unwilling to engage in innovative programming because they do not feel comfortable taking risks associated with the potential failures of innovation. These risks include financial risks, with the possibility that money which was donated and put in the trusted care of a charitable organization may be seen to have been wasted. These risks also include relational risks, as failed innovations may damage relationships between SMOs and their local partners.

Some interview participants pointed out that the risk should be shouldered by the funder. The Inter-Council Network's Fund for Innovation and Transformation (FIT), operated by the Manitoba Council for International Cooperation on behalf of the ICN and funded by GAC, was seen as a positive example of a donor being willing to take risks and promote innovation. In general, interviewees noted that funders' risk tolerance appeared to be increasing over the past few years, but that there is still a long way to go. Overall, interviewees felt that more funding should be made available to promote innovation.

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**One of the things I love about [FIT] is that it actually counts on some failures. That's an amazing model. I think that's really great... There's not a lot of appetite amongst organizations to take risk on themselves. But also for the funders, I think that there's a little bit of [fear] because they're the ones that are investing in it as well. I think it's one of those things like collaboration. I think there's a lot of great talk about it, but I don't know that the support that is necessary for it to actually happen in a good way is there. The FIT funding would be one example of a good model and one that I think is doing a good job.**

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Finally, several conversations on the subject of innovation turned to the more abstract question of what constitutes an innovation in the first place. Some interview participants noted that nimble flexibility was the hallmark of many SMO models. They noted that SMOs are constantly having to innovate in order to engage with their partners for effective programming in often complex situations. This proved doubly so during the COVID-19 pandemic, when SMOs of all stripes were forced to pivot and adjust course just to survive. Depending on how you might define innovation, SMOs may prove to be the most innovative international cooperation organizations in Canada.

# 4

## Public Engagement

DURING INTERVIEWS, the research team asked participants whether they believed there were adequate opportunities for Canadian SMOs to engage with the general public about their work and/or issues in international cooperation. Interestingly, for many SMOs, discussions around public engagement slid into conversations regarding fundraising activities. As many organizations rely heavily on private donations to support their work, it is not surprising that public engagement activities often serve as a means to obtain financial support from the Canadian public. That said, SMO public engagement efforts are not exclusively financially driven.

### Informing and catalyzing the Canadian public

SMOs see public engagement as an important means of bolstering public sentiment around critical issues associated with global cooperation. Interviewees noted that SMOs are particularly important within this space as their proximity to both Canadian communities and local partners allows them the opportunity to share truly relational and personal stories that often catalyze public support more than large numbers or poverty statistics.

#### Point of comparison #6: Public Engagement and European SMOs

As part of a recent study, European SMOs were asked in focus group discussions whether they felt their role included public awareness raising on issues associated with international cooperation. During these discussions, 76.9% of French SMOs, 67.5% of Flemish SMOs, and 31.8% of Dutch SMOs said they considered awareness raising as one of their core tasks. Those that did not think this was part of their role noted their limited time and money, which they felt was better served going directly to project activities (Kinsbergen et al., 2022a).

Broadly, interview participants believed that the Canadian public had a desire to see improvements in international cooperation and an interest in global development issues. This interest in global issues was often the spark that led Canadians to establish an SMOs in the first place. Interviewees noted that this underlying interest effectively contributed to an enabling environment in the country.

In this vein, in the survey, SMOs responded positively regarding their public engagement efforts; **57% stated that they either somewhat agreed (41%) or strongly agreed (16%) with the statement: “my organization successfully engages with the general public on development issues”** (see figure 8 next page).

**Figure 8: SMO responses regarding public engagement**

**“My organization successfully engages with the general public on development issues.”**

- Strongly Agree
- Somewhat Agree
- Neutral
- Somewhat Disagree
- Strongly Disagree



“

In this country, there’s an incredible openness to supporting work around the Sustainable Development Goals, for example, from the UN, and in other words, the ethos in this country, in our universities and our colleges, is that we’re in a very privileged position.... We have great resources, we’re privileged, we have wonderful universities and colleges. There’s a real openness and an interest in sharing that... This country could really make its mark in international development if we were more aggressive, more ambitious about what we were trying to do, because there is an enabling environment of people who are incredibly creative, energized, with all kinds of skills and experiences, where they could reach across borders to build a better world I think that really is, for reasons that I don’t completely understand, very much a part of our country and the ethos here.

”

While interview respondents pointed to the benefits of the public’s interest in international cooperation, they also noted that transforming this interest into genuine action or commitment was nevertheless a challenge for a multitude of reasons. To start, many interviewees felt that much of the general population held only a shallow understanding of international cooperation, including outdated understandings of “developed” and “developing” countries.

Some interview participants expressed concern that Canadians hold unrealistic beliefs associated with Canada’s contributions to foreign aid as a proportion of GDP. Indeed, according to a poll conducted by Cuso International in November 2022, a full 64% Canadians claim they are unaware of Canada’s efforts in the field of global development

(Byers, 2023). Meanwhile, interviewees noted that fears of economic recession and the increasing prevalence of anti-immigrant and anti-refugee sentiments have left Canadians poised to limit themselves to insular thinking, diminishing Canadian investments in international cooperation endeavours. Respondents noted the critical need in Canada to turn this gaze outward and build public support around a global community. They noted the important role that SMOs play in this effort, alongside the government and informed individuals.

With this in mind, interview respondents noted that care should always be taken when sharing stories from the field; SMOs can run the risk of slipping into patronizing or colonial narratives, which can have damaging effects. One respondent noted that it might be beneficial for training to be offered to SMOs regarding appropriate messaging around global issues and activities in an effort to strengthen the information reaching the Canadian public.

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**I think that the messaging that gets used by government, by charities, by people [working in global development], that consistent messaging, away from a scarcity mindset, and connecting what we're doing here in Canada to the wellbeing of the global community is really, really important.**

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### **A shifting public engagement landscape**

As technology has rapidly taken over nearly every facet of society, effective public engagement increasingly involves cultivating compelling messaging within virtual spaces. In many ways, this is beneficial – virtual platforms enable SMOs to reach a much more expansive public base than older technological options. On the flip side of this, however, technology is swiftly changing, and SMOs must learn and adapt to innumerable platforms and messaging techniques in order to capture the attention of a multigenerational audience. For SMOs that are principally – or entirely – run by volunteers, this can be particularly challenging.

At the same time, the general public is also being pulled in a multitude of directions, with online stories and messages grabbing at them every moment of every day. In the context of a constantly evolving and volatile global landscape, it is challenging to maintain someone's interest in a singular international cooperation issue which an SMO may be trying to address.



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To engage the general public, it's not easy unless there's a big crisis where mainstream media publicize it. Unfortunately, [when there are] national disasters, stuff like that then you get all the coverage you need to have [and then receive] a whole bunch of money. But if your organization is of such a nature that it's [working] for sustainable poverty relief, that - I'm sorry for the expression - is not sexy. It doesn't attract attention.

”

Maintaining sustained public engagement efforts is a resource intensive endeavour, particularly in the virtual space, which, as one respondent noted, is a “pay-to-play space.” Some donors – including GAC – may allow or even require some funds be used for public engagement efforts, but this is not often the case. There is still much room for improvement when it comes to creating an environment which fosters sustained and effective public engagement on global issues in Canada.

#### Point of comparison #7: Public Engagement and Dutch SMOs

Prior to 2010, the government in the Netherlands provided substantially more support to public engagement activities within its broader international cooperation agenda, with a specific focus on the role of SMOs therein. The government saw SMOs as examples of citizens engaging in development efforts at the grassroots level and it believed SMOs were important agents in facilitating global citizenship education through public engagement (Kinsbergen & Molthof, 2021). Since 2010, the government in the Netherlands has largely removed this support. Thus, while SMOs in the country previously received funding from the government (often coming through larger NGOs), they now have to rely more heavily on private sources of funding. These private sources of funding, furthermore, do not have the same expectations and requirements related to public engagement as previous government funding (Kinsbergen et al, 2022a; Kinsbergen & Molthof, 2021). With this in mind, between 2008 and 2021, there has been a marked decline in public engagement activities organized by SMOs in the Netherlands: in 2008, approximately 41% of SMOs organized public discussions, while in 2021, this number dropped to under 9%. Research suggests that this decline is due to the decrease in government support for international cooperation and global citizenship education in the Netherlands (Kinsbergen et al, 2022a).

# 5

## The Varied Realities of SMOs

WHILE WE OFTEN SPEAK ABOUT SMOs as representing a unique subsection of Canadian NGOs, the category of “SMO” represents a large and diverse group. What constitutes an enabling environment for one SMO may not accurately reflect an enabling environment for another. As such, it is important to understand some of the key differences that impact the realities faced by different categories of SMOs within Canada and, indeed, these varied realities emerged in discussions with interview participants. In these conversations two particular categories appeared to be most salient: size and faith affiliation.

### Organization size

Canada’s definition of an SMO is very broad; the main criteria according to the Canadian government are organizational revenues that do not exceed \$10 million (educational institutions are exempt from this stipulation) and overseas expenditures that do not exceed \$2 million. Given the relatively broad definition of SMOs applied by the Canadian government, the research team has disaggregated the official definition into smaller categories: micro organizations (annual revenue of less than \$100,000); small organizations (annual revenue between \$100,000 and \$1 million); and medium organizations (annual revenue between \$1 million and \$10 million).

When we talk about those SMOs falling within the “medium” category, there can be discrepancies and confusion associated with the revenue versus expenditures amount. As one interviewee pointed out, those organizations that wish to advance their localization agenda and disburse more of their revenues to their local partners may find themselves surpassing the \$2 million overseas expenditures threshold. They would then fall outside of the SMO categorization, even though their revenues may be below \$10 million.

Meanwhile, the inclusion of education institutions adds another level of complexity to the SMO definition. Interview participants pointed out that educational institutions benefit from a full staff that are not tenuously reliant on donor funds. They also have significant capacity throughout their larger institutions which they can draw from – something that puts them at a significant advantage over their fellow SMOs.

Aside from the discrepancies near the top range of what constitutes an “SMO,” the biggest delineation we found in interviews was between micro and small organizations as compared to medium organizations. Along this demarcation there were both advantages and disadvantages to being a micro and small versus a medium organization.

In terms of advantages, interviewees noted that micro and small organizations were closer to the ground with stronger connections to their work, their local partners, their local staff members, and their project participants.

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**But the work is happening by all these small organizations, a lot of them very local, community organizations and groups, small NGOs often. You're from the community, you're from that area, so you just know it. And you can do much more effective programming. In my opinion, you have a much better idea of the realities, and that's where I think funders need to really listen to these organizations.**

”

Micro and small organizations also have less bureaucracy than medium organizations, enabling them to operate in a more agile fashion and ultimately get work done faster. Many micro and some small organizations are also often fully run by volunteers. Advantages to this staffing structure include the fact that it keeps administrative costs low, which appeals to donors. Moreover, a volunteer workforce represents a group of dedicated individuals that are passionate about their work to such a point that they are willing to donate their time. This passion can translate into effective organizational efforts around a shared vision of international cooperation.

However, there are disadvantages to these smaller models. Having a volunteer-led organization means that there is limited capacity and expertise within the organization for administrative tasks, particularly those associated with obtaining and reporting on funding. In fact, interview participants noted that the funding windows offered through the government in particular are not designed with micro and small organizations in mind. These smaller members of the SMO family lack the dedicated staff to complete the onerous application process GAC demands. They also do not have the capacity to fulfill the extensive financial and narrative reporting requirements that follow a successful proposal. On top of these challenges, these organizations do not have excess resources that they can survive on while they wait for renewed or new funding during the extensive periods between proposal submissions and funding disbursements.

A number of interviewees noted a clear mismatch between the small organizational model of some SMOs and GAC's funding mechanisms, stating that it just does not make sense for these entities to consider applying. Indeed, as a whole, SMOs noted GAC appears to prefer to provide large grants to bigger entities; those perhaps qualifying as “medium” within the SMO definition. The risk associated with this is that GAC may be limiting its partner roster to the same players, rather than diversifying its international cooperation approach.

In the case of micro and small organizations, these SMOs are also typically not looking for the massive allotments of funding that are offered through the government and other large donors but would benefit from a relatively small injection of funding. An enabling environment for these smaller entities would include small pockets of accelerated funds with leaner proposal and reporting requirements.

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At less than a million to less than \$500,000 [in revenue], there's very very very very little staff, little stability. They do good work, very much supported by the communities, a lot of volunteer commitment, but they would need to have accelerated access to funding to be able to increase their action, their partnership. And yes, when all these groups are presenting to the same program, they are at a disadvantage in my opinion.

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### Faith affiliation

Faith-based organizations comprise a significant proportion of organizations within Canada's international cooperation sector. As many as 44% of Canadian development organizations are faith-based, with the vast majority of them Christian (Davis, 2019; Paras, 2012). Just over 20% of the survey respondents identified as faith-based organizations, all but two of them Christian. Given that faith-based organizations comprise a significant proportion of the sector, the research team sought to understand whether the enabling environment for these organizations has any distinct features. It is important to note that the research team only interviewed representatives from Christian organizations, so the following discussion highlights the experiences of those organizations and does not make inferences about SMOs with other faith affiliations.

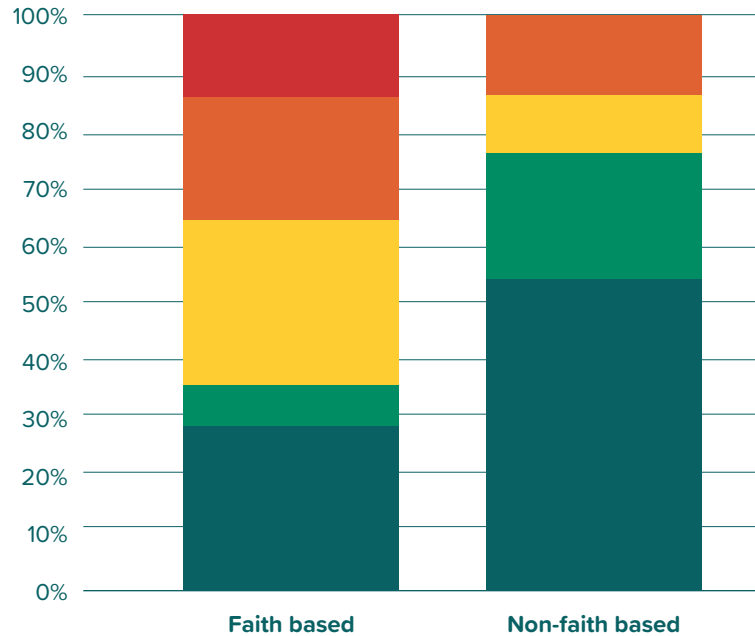
Interview participants noted both advantages and disadvantages associated with being a faith-based SMO as compared to a non-faith-based SMO. Importantly, in terms of advantages, interviewees pointed out that faith-based organizations benefit from a natural constituency of donors: those within their faith. Being able to tap into church congregations and faith-based networks provides faith-based organizations with a natural pool of donors that non-faith-based SMOs may not be able to access. That said, as communities of faith in Canada begin to age and diminish, respondents noted that this base of donors may lose its strength, forcing faith-based SMOs to look further afield to support their international cooperation work.

When asked in the survey if respondents agreed with the statement “there are a wide variety of sustainable funding sources that are accessible to my organization,” faith-based organizations responded much more positively than non-faith-based organizations (see figure 9 next page). **Only 36% of faith-based SMOs stated they either disagreed (29%) or somewhat disagreed (7%) with this statement, as opposed to a full 76% of non-faith-based SMOs (54% disagreed, 22% somewhat disagreed).**

**Figure 9: Comparing SMO perceptions on funding across faith-based and non-faith-based SMOs**

**“There are a wide variety of sustainable funding sources that are accessible to my organization.”**

- Strongly Agree
- Somewhat Agree
- Neutral
- Somewhat Disagree
- Strongly Disagree



Another advantage associated with being a faith-based SMO, according to interview participants, was that these organizations could make meaningful connections with similar faith communities based in their countries of operation. Essentially, faith-based SMOs benefited from their ability to work across cultures using faith as a common platform. This was said to be extremely helpful in fostering deep and meaningful relationships with local partners.

**“ I think one of the assets that faith-based organizations have in doing their work internationally is that over 80% of the population of the world identifies with some sort of spirituality. And so having that spirituality or faith as a competency, and valuing it, allows for different types of relationships, and really good results. If you are able to view it as such and do good community and international cooperation work. ”**

Conversely, working across different faiths could prove to be a challenge at times for faith-based organizations. Both in Canada and abroad, faith-based organizations confront, at times, misunderstandings, discrimination, and polarization associated with their faith. This polarization may lead to some individual or organizational donors being unwilling to fund faith-based entities.

“Polarization doesn’t help, because it leads to organizations on either side, having a hard time having conversations and thinking through things. And that’s particularly true when it comes to issues around LGBTQ2+, gender, sexuality, feminism, sexual reproductive health and rights. I think there’s a lot of space where there is alignment, but there’s not always the willingness or the appetite to be able to have those conversations because of polarization.”

In an effort to circumvent some of the thorny issues associated with religious doctrine, some faith-based SMOs have made efforts to brand themselves in a more generalized way. Within this new framing, they highlight their work above their faith as a way of opening pathways for communication and service provision across the faith-based and secular divide.

#### Point of comparison #8: Faith-based SMOs in the US

In the US, there is a strong community of faith-based organizations. Both SMOs and larger organizations are able to collaborate and network through the **Accord Network**, which is similar to Canada’s **Kentro Christian Network**. The Accord Network has a journal, entitled **Christian Relief, Development, and Advocacy**, which explores faith-based approaches to development. While in Canada, GAC tends to view and treat development organizations similarly, regardless of whether or not they are faith-based, USAID has traditionally viewed faith-based organizations as distinct and thus holding unique merit to their non-faith-based counterparts. USAID often offers separate funding opportunities targeted specifically to faith-based organizations.

# Conclusion

DRAWING FROM SURVEY RESPONSES AND INTERVIEWS with representatives working with SMOs, this report attempts to illustrate numerous factors that facilitate or impede international cooperation efforts spearheaded by Canadian SMOs. Points of comparison drawn from the literature on SMOs operational in other countries help us understand different environments that other organizations must navigate in their effort to achieve their goals in international cooperation.

An effective ‘enabling environment’ is not just a matter of accessing funding (although this is an important consideration). SMOs in Canada also require favorable policy and regulatory frameworks, opportunities for collaboration and innovation, as well as an active and engaged public.

There are notable enablers within the Canadian context that interview and survey respondents identified. These enablers include SMO-specific funding from the Canadian and provincial governments; training opportunities; a reasonable and transparent process for obtaining charitable status; and an interested general public. Conversely, key detractors include heavy competition for limited funding opportunities; a lack of overhead funding; burdensome direction and control regulations; and difficulties associated with catalyzing public interest into public action.

Finally, it is essential to acknowledge that the realities of SMOs diverge considerably across the diversity of organizations that exist in Canada. These differences are particularly salient when we consider the varying size and faith affiliation of SMOs.

It is important that all members of Canada’s international cooperation sector recognize the challenges and benefits associated with Canada’s enabling environment. We can learn from other countries and from each other to improve this environment, such that we can strengthen and facilitate the crucial international cooperation work carried out by Canadian SMOs in support of their international partners.

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# Appendix 1: Research Methodology

THE FINDINGS PRESENTED IN THIS REPORT build on previous research undertaken by the University of Guelph, the Worcester Polytechnic Institute, Memorial University of Newfoundland and Labrador, and the Inter-Council Network's Spur Change program hosted by the Alberta Council for Global Cooperation, related to Canadian SMOs working in the international cooperation sector. These findings were gathered through a mixed-methods research project, utilizing both an online survey and semi-structured interviews.

Before employing the survey, the research team met with an SMO research advisory committee to discuss the potential avenues of inquiry for the 2023 Spur Change SMO Report. The SMO research advisory committee, with the research team, decided to undertake a study looking at what constitutes an 'enabling environment' for Canadian SMOs, using data from other countries as points of comparison. Meanwhile, the team met with experts from the Netherlands and the US working on research related to SMOs in their countries and regions. These experts helped the research team determine broadly what thematic areas might be captured within a discussion around 'enabling environments.' Ultimately, the team landed on issues associated with funding, government supports, collaboration, legal regulations, and public engagement. The US and Dutch experts also provided resources and advice to the team on relevant points of comparison to capture within this report.

Once the research topic was chosen, the team developed a survey using Qualtrics software. The survey questions were crafted by the research team and then reviewed by the SMO research advisory committee. The survey was subsequently sent out to SMOs from across Canada on October 6<sup>th</sup> 2022; it remained open until November 14<sup>th</sup> 2022. In total, the team received 91 completed surveys during this period. Responses captured in the survey helped the team further define what might constitute an enabling environment for SMOs in Canada and helped inform the interview questions developed by the team.

Within the survey, the research team also asked respondents if they would be willing to participate in a follow-up interview; 38 respondents indicated their willingness to participate in an interview, of which 10 were ultimately selected and interviewed. The team selected interviewees among SMOs that had not previously participated in an interview as part of the broader research project; the team also took care to ensure representation in terms of size, organization type (NGO, private sector firm, educational institution) and geographic location in Canada. Alongside SMOs, the research team interviewed 7 representatives from provincial councils, NGO network organizations in Canada and the US and a donor agency.

The interviews took place between November 22<sup>nd</sup> 2022 and February 2<sup>nd</sup> 2023. Each interview was recorded, and a transcript was developed using Otter.ai software for English interviews and Sonix software for interviews conducted in French. The transcripts were subsequently closely reviewed for accuracy by members of the research team. Thereafter all the transcripts were analyzed for themes and trends, which have been captured within this report.

