



What Constitutes an “Enabling Environment” for Canadian SMOs?

ANNUAL REPORT ON
SMALL AND MEDIUM ORGANIZATIONS

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Acknowledgments

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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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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.

