

Community Dispatch

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FUNDING MATTERS: A WARNING AND AN OPPORTUNITY FACT SHEET #1: THE THIRD PILLAR OF CANADIAN SOCIETY

*The Canadian Council of Social Development (CCSD) has produced a seminal report, "Funding Matters: The Impact of Canada's New Funding Regime on Nonprofit and Voluntary Organizations." This study analyses changing funding patterns throughout Canada and their impact on voluntary sector organizations. The findings of this study compliment the results of community-based research conducted in Halton in recent years that identify major funding issues and their consequent impact on the quality and accessibility of community services. Community Development Halton has prepared five Community Dispatches of the Fact Sheets prepared by CCSD for the June 2003 launch of their study. I believe this information is essential for all those in leadership roles in the nonprofit and voluntary sector. Furthermore, a workshop, **Funding Matters: A Warning and An Opportunity**, for senior managers, Board members, funders and concerned citizens is planned for **Tuesday November 25, 2003**. Katherine Scott, author of the CCSD report, will give the keynote address. Details will be available shortly.*

Joey Edwardh

The Nonprofit And Voluntary Sector – A Vital Piece Of Canada's Social And Economic Fabric

More than 900,000 Canadians work for nonprofit and voluntary sector organizations (other than hospitals and universities). Every year, Canadians donate an estimated 1,000,000,000 (one billion!) person-hours to voluntary activities – the equivalent of more than 500,000 full-time jobs.

Nonprofit and voluntary groups play a key role in enriching the lives of Canadians by delivering myriad programs and services, including home care for the sick and elderly, shelter for victims of abuse, recreational

programs for children and youth, and assistance to immigrant families. They also enliven our cities with cultural events and advocate on behalf of marginalized people.

This sector has been characterized as the third pillar of society, alongside government and the private sector. Nonprofit and voluntary organizations play an essential role by promoting active citizenship and building bridges among communities and cultures.

Q. So how has the funding regime changed for these groups?

A. The big change revolves around how they are getting their dollars.

Organizations rely on a mix of sources and funding mechanisms: government contracts, foundation grants, donations, charitable gaming revenues, and money from the sale of goods and services. Despite efforts to pursue many different sources of funding, our survey shows that financial volatility and uncertainty has actually increased over the past five years.

Historically, governments have been the biggest funders by providing direct support, or "core funding," to nonprofit and voluntary groups which has allowed them to pursue their missions and cover basic organizational and administrative costs. Such grants also enabled the organizations to pursue other funding for specific programs and services. In the 1990s, however, governments cut their direct support to many organizations – a move that forever

changed the relationship between funders and the sector.

A new funding regime has taken shape:

- Nonprofit and voluntary organizations have succeeded in broadening their funding base. But the state remains the largest – and increasingly unpredictable – funder. (Government money still represented about 60% of total revenues among the organizations surveyed for this study.)
- Funders now favour short-term, project-based funding.
- Funders attach more conditions to their contributions. They target their funding and exert greater control over its use.
- Pursuing diverse sources of funding involves greater complexity for nonprofit and voluntary organizations. For example, having to focus on earning income in order to stay afloat can pull groups away from their primary mission. And the

growing pressure on them to adopt “market” models of operation threatens to obscure the unique value of their programs and services.

- This volatile funding environment threatens the long-term sustainability of organizations. It also threatens to undermine the unique contributions of the sector by eroding the close ties these groups share with their communities, by weakening their voices as advocates for marginalized people, and undercutting Canadians’ involvement in the democratic process.

For more information on *Funding Matters: The Impact of Canada's New Funding Regime on Nonprofit and Voluntary Organizations*, visit the CCSD website at: <http://www.ccsd.ca/pubs/2003/fm/>



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