REGROUPING, RECALIBRATING, RELOADING: STRATEGIES FOR FINANCING CIVIL SOCIETY IN POST-RECESSION CANADA[1]

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INTRODUCTION

THE LAST THING CIVIL SOCIETY LEADERS AND THEIR ALLIES PROBABLY WANT right now, given everything else they are dealing with, is yet another analysis of the complex challenges they face in raising money for their sector. However, now is exactly the right time to generate, debate, and act on such analysis. In fact, the sector is presented with an important opportunity to regroup, recalibrate, and reload (in a non-violent, pro gun-registry sense, of course!) with respect to strategies for financing civil society in Canada. This opportunity should be seized – now.

REGROUPING TO ENGAGE A NEW CONTEXT

The main reason for civil society organizations (CSOs) to regroup – to pause and re-strategize – is that the current context is very different from earlier ones. There are three reasons for this:

1) *Fundraising in a halting, uneven economic recovery process imposes special conditions.* Even though Canada's performance in the recent financial crisis relative to other countries was good, our economy is not yet seeing robust investment and job creation by the private sector. The stock market is volatile and even more casino-like than usual. Together with stagnant government revenues and rising social costs, this stalled economy means that mobilizing public and private money for the social sector will be patchy at the very best and negligible at worst.

2) *More Canadians than ever before have joined the "precariat."* This term, coined by British economist Guy Standing (2009, pp. 109-110), refers to a growing class of workers "flitting between jobs, unsure of their occupational title, with little labour security, few enterprise benefits and tenuous access to state benefits." And, with scarce disposable income or time to donate to CSOs, members of the precariat who fail to find adequate employment often become users of the services of the nonprofit and charitable sector. At the same time, the very forces that have expanded the precariat – globalization, the vaporization of manufacturing jobs, and more – have also enabled a small number of Canadians to become super rich and caused a shrinking middle class, fewer unionized jobs, and an alarmingly large and growing class of Canadians who are permanently

unemployed and even completely detached from the mainstream economy. Indeed, it is primarily among this latter group, Canada's underclass, that organized crime deploys its destructive and profitable tools of gangs, drugs, human trafficking, and violence.

3) *The resurgence of the hard political right is taking no prisoners.* (Actually, conservative ideologues see prisons as an economic engine, so this is not technically correct to say!) The fragmentation of the centre-left continues to create large tactical and strategic spaces for manoeuvre on the part of allied social and fiscal conservatives, especially at the federal level and also in the western provinces. Under such governments, it has become very risky for organizations to be explicitly feminist, leftist, or generally critical of conservative governments and movements, themselves now aided and abetted by a well-resourced network of think tanks and advocacy groups (McDonald, 2010). Indeed, the table is set in several jurisdictions for severe cutbacks in social programs in ways that will profoundly affect CSOs. These cuts are but short-term tactics. The political right, ultimately, wants to remake the country.

This is the current reality. Instead of ignoring it, it is more useful to confront it, try to understand it, respond to it and, if possible, get ahead of it. That is why regrouping, now, is crucial.

RECALIBRATING CURRENT EFFORTS

In some ways, it's always been all about the money, and it probably always will. Civil society organizations around the world have had to work hard, on many fronts at the same time, to mobilize the financial resources they need to achieve their goals, deliver their services, and carry out their advocacy. In Canada, CSOs have negotiated support from governments, foundations, corporations, and individuals, and have also generated money through fee and other business income. Juggling all of these balls in the air at once has never been easy. Today's challenging context means that CSOs must recalibrate their current financing strategies and tactics.

Overall, a robust civil society can and should be a part of a just and sustainable Canadian future. However, the public-policy response to financing civil society has been muted, fragmented, and contradictory. This is not good enough. Currently, government grants and contracts account for 51% of the revenue of nonprofit and voluntary organizations in Canada, followed by 39% from fee income and 9% from philanthropy, plus other sources.

Excluding hospitals, universities, and colleges, the sector receives 48% of its revenue from fees, 39% from government, and 12% from philanthropy (Hall et al, 2005). In light of the financial challenges facing the sector, civil society organizations should consider the following recalibration measures:

1) *CSOs should aim to change the mix of revenue sources for the sector as a whole to 50% from fees, 30% from government, and 20% from philanthropy.* This pattern of diversification would reduce the risk of CSOs' grants and contracts being terminated for ideo-

logical reasons. At the same time, however, this strategy would require serious policy advocacy to secure the necessary legislative support to make it easier for CSOs to do business and earn income in other ways. It would also be necessary to build an energetic coalition among philanthropic organizations and high-net worth individuals to change laws, fiscal policy, and regulations in order to significantly increase the velocity and volume of private giving. (As the political right knows, the more philanthropists with progressive values and the bigger their assets, the greater is the likelihood that civil society in Canada will itself remain an effective force for a progressive vision of the country.)

2) *In jurisdictions where there is ideological room to do so, CSOs should work to reconstruct their partnerships with governments so that they include greater power symmetries and longer-term program funding.* For the past two decades, Canadian governments at all levels have consistently sought to treat CSOs as contractors rather than as real partners (Phillips, 2006). For the most part, they have succeeded in doing so. In parallel, governments moved away from multi-year program funding of CSOs and towards short-term, project-based funding. This shift has imposed higher transaction costs on CSOs and undermined their strategic and program planning. The destabilizing effects and sheer inefficiencies of these trends have been well documented (Gibson et al., 2007; Independent Blue Ribbon Panel, 2006; Scott, 2003). In order to renegotiate their relationships with governments, however, CSOs will need to accumulate sufficient political strength and leverage. This, too, will take some work.

3) *CSOs should redouble their efforts to raise private donations and gifts from younger Canadians and diverse cultural and ethnic populations, while also re-engaging the Boomer generation, which is starting (really, finally!) to retire.* Each of these groups displays very different preferences for ways of giving their time and money to social causes and for the substantive issues they care about. Online giving – especially among younger Canadians, but also among Boomers – is gaining prominence, as the recent torrent of donations for hurricane relief in Haiti demonstrated.

4) *The number and size of private and community foundations should be aggressively increased, with both public and private support.* For its part, corporate giving remains short-term, narrow-gauge, and self-serving. It should, of course, be encouraged. But the programs and policies of private and community foundations, though small in number and size, are more creative and responsive to needs on the ground (see McInnes, 2008; Patten, 2008; Moreno & Plewes, 2007). Both Philanthropic Foundations Canada, serving private entities, and Community Foundations of Canada, serving community foundations, deserve vigorous public and private support to scale up their numbers and capacities, and their impacts.

5) *The civil society sector should lobby to change laws and regulations in a direction that would enable foundations and endowments to make program-related investments (PRIs).* This class of investment can take the form of grants, low- or no-interest loans, or even equity holdings, in nonprofit organizations and ventures, such as affordable housing projects. Currently, the Canada Revenue Agency (CRA) maintains a number of policies and practices that restrict the use of PRIs in Canada. The American experience, in contrast, shows how beneficial PRIs can be to the social sector – and how they can be implemented and monitored prudently (see Godeke & Pomares, 2009; Harji and Hebb,

2009; Harji, 2009; Hebb, 2009, Godeke and Bauer, 2008; Hebb 2008;). Tapping into the capital as well as the interest portion of foundation and endowment assets can give CSOs another, very valuable, revenue stream, especially for projects involving real property (housing, offices, land trusts, etc.).

6) *Steps should be taken to expand the regulatory room for charities and nonprofits to earn income.* The Ontario Non-Profit Network has advocated, so far unsuccessfully, for a made-in-Ontario version of the United Kingdom's Community Investment Company, a hybrid charity-business legal structure that is taxed in a preferential manner that recognizes the social mission of the enterprise. In contrast, the federal regulatory regime, also overseen by the CRA, restricts the business activities of Canadian charities (Martin, 2007; Campbell, 2006). Some of the national networks on social enterprise that have emerged in recent years – notably the Social Enterprise Council of Canada and the Canadian Community Economic Development Network (see Jackson, 2008) – should play key roles in this lobbying effort.

7) *Efforts to create new, scaled financial intermediaries, products, and services promoting social and environmental as well as commercial objectives should be accelerated.* Known as *social finance*, or *impact investing*, these new tools are best exemplified by la Fiducie du Chantier de l'économie sociale in Quebec, which is a $50-million "patient capital" pool financed by governments and labour funds that makes loans to CSOs for expansion projects. Another innovative example is the Registered Disability Savings Plan, a tax-deferred fund for families with persons with disabilities operating federally and provincially, initially in Ontario and British Columbia (see Shillington, 2005). A third example is that of the PSAC-Alterna Affordable Housing Fund, which uses an investment by the staff pension fund of the Public Service Alliance of Canada in Alterna Savings Credit Union to provide a revolving loan facility for affordable housing projects in Ottawa; the initiative is inter-mediated by the nonprofit Ottawa Community Loan Fund (Hebb, 2009).

8) *The civil society sector and its allies should lobby the federal government to revise the legislation governing research granting councils in order to increase the number and size of direct research grants to CSOs.* The Social Sciences and Humanities Research Council (SSHRC) has been taking steps in this direction and is expanding its funding of "partnered research" involving civil society and the private sector in cooperation with universities. For its part, the Canadian Institutes for Health Research (CIHR) has directed some funding to nonprofits. The other research granting agencies – the Natural Sciences and Engineering Research Council of Canada (NSERC), and the Canadian Foundation for Innovation (CFI) – increasingly recognize and support knowledge transfer and mobilization involving CSOs but do not yet channel funds directly to the sector. As it stands now, though, most funding for civil society from these four bodies must still be routed through universities, creating yet another set of asymmetrical "partnerships." This should be changed.

9) *CSOs should take control of the evaluation agenda and develop methods and tools that are based on the concept of "blended value," logic models (or program theory) and participatory stakeholder engagement.* Social accounting, using such tools as the Expanded Value Added Statement (EVAS), is an approach to capturing the usually invisible and undocumented value-added created by charities, nonprofits, and cooperatives (Mook et al., 2007). So too is social return on investment (SROI), as applied by Social Capital Partners in Canada and the Roberts Enterprise Development Foundation in the United States. Inspired by the work of Jed Emerson, the concept of blended value refers to the financial, social, and environmental value created, to varying degrees, by all classes of investment across all sectors. "Blended value evaluation" (Harji, 2009; Jackson et al, 2008; Emerson and Bonini, 2004) offers CSOs a way to quantify what usually isn't counted and an approach to cost-benefit analysis that recognizes the unique contributions of charities, nonprofits, and cooperatives (Jackson and Harji, 2009). Another approach to performance assessment, developmental evaluation (Patton, 2010), provides a different set of concepts and tools that are especially appropriate for evaluating the social-innovation process. However, the fluidity and learning orientation of developmental evaluation may leave CSOs vulnerable to critique from results-oriented bureaucrats and ideologically driven conservatives – and from progressive social investors seeking predictable returns.

RELOADING FOR THE DECADE AHEAD

The "reloading" metaphor is very apt. Global economic forces, and our government's inadequate policy responses, have placed millions (yes, *millions*) of Canadians under permanent economic siege. Meanwhile, the conservative movement really is openly waging war – a bitter cultural and ideological one – and has a well-funded campaign machine that reaches from the church basements and kitchen tables of the religious right into our universities and think tanks and among prominent media personalities, and implicates the current Prime Minister himself. Standing on the sidelines is not an option; there are no sidelines on this battlefield.

This situation is the result of real economics and real politics, no more and no less. And it is a context that can be transformed. But civil society leaders and their allies need to load up now with new strategies, tactics, and tools, such as the following, in order to assert their agenda in the decade ahead.

1) *A new cohort of civil society leaders must be nurtured, trained, and put in positions of responsibility in order to catalyze the use of new strategies, tactics, and tools.* At a very basic level, CSOs must raise sufficient funds to offer talented young people and their families career and livelihood pathways with competitive salaries, good benefits, and good job security. At the same time, like young employees in all sectors, these emerging leaders lack experience and exposure, especially, to implementation processes and techniques. Boomers should be engaged to help mentor and nurture this valuable resource. With this level of preparation and support, together with their own impressive skills and analysis, young leaders in the sector are likely to prove to be very effective in incubating and applying the new policies, laws, programs, and products that are necessary to increasing and sustaining financing for CSOs.

2) *CSOs should learn from and adopt new mass-campaign methods that lever social media to the maximum and integrate issue-based, real-time, flash funding appeals.* The models of Avaaz.org, operating globally, and MoveOn.org, in the U.S., are impressive and instructive. Both treat their supporters with respect, offer strong analysis, and con-

tinuously seek small donations to support very specific immediate campaigns. Both are very successful in not only hitting their political targets but also in sustaining their own operations.

3) *Canadian CSOs must build and service mass memberships.* Historically, religious organizations, unions, and cooperatives have been the main civil society groups serving large numbers, indeed, millions of members. Too many other CSOs have, however, operated with small membership bases. This is unaffordable in both political and financing terms. Large memberships provide CSOs not only with a regular, independent flow of funds in the form of membership fees or dues but also with significant political leverage. Politicians and bureaucrats are obliged to pay serious attention to mass letter-writing campaigns and, at election time, large blocs of voters. Of course, in return, CSOs must offer good value to their members: opportunities to participate in campaigns and programs, good analysis and information, feedback on achievements, and more. Furthermore, strong relationships with members may also yield supporters among high-net-worth progressives, who may wish to make special gifts to their organization – and should always be encouraged to do so!

4) *Canadian CSOs must enjoin the formal political process, explicitly, even joyfully!* What isn't working right now is CSOs trying to stay "politically neutral" and waiting for the centre-left to regain government, especially federally. Centre-left parties are currently too fragmented, competitive, and narcissistic, and seem to have too many partisan supporters to reward, to move toward a real coalition or alliance – although the policy basis of a Liberal-NDP-Green alliance could be worked out in an afternoon (see Topp, 2010). With ties to all these parties, CSOs could explicitly and behind the scenes, work to broker a range of alliances and other forms of cooperation. Moreover, CSO supporters – particularly retirees, consultants, and students – could form networks of virtual, website-based think tanks. These independent think tanks could monitor and critique conservative policies and politics and propose, through blog posts, op eds in the media, and research papers, progressive, feasible alternatives – and actively build a constituency for these alternatives.

5) *CSOs should get back to building hard assets.* Ultimately, one of the best protections against ideological attacks and challenges in the economy is real property that is owned by CSOs. Such hard assets can include office buildings, mixed-use facilities, women's shelters, seniors' residences, day-care centres, even hockey arenas and soccer fields – social infrastructure of all kinds. Ideally, these properties would also entail green design and construction and sustainable land management. In fact, blending a green dimension into such a hard-asset strategy could itself attract significant external financial support, both private and public.

CONCLUSION

So, there is much to do. But that's not a surprise. What matters most, really, are basic organizational principles: Plan carefully. Get focused. Stay together. Celebrate the victories, and learn from the setbacks. Even more important is that the leaders of CSOs, of all generations, take care of themselves, stay fit, love their families, and enjoy poetry, music, and the beauty of this land.

Building a country that is fair, clean, safe, and prosperous is not a sprint. It is a marathon. While short-term actions are the stuff of daily life, economics and politics are long games. It is time to regroup, recalibrate, and reload for the next phase of civil society's mission: to build a better Canada for all.

NOTE

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WEBSITES

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Blended Value (blendedvalue.org)
Canadian Evaluation Society (evaluationcanada.ca)
Canadian International Development Agency (acdi-cida.gc.ca)
Carleton Centre for Community Innovation (carleton.ca/3ci)
Causeway Initiative for Social Finance (causeway.wikispaces.com)
Centre for Voluntary Sector Research and Development (cvsrd.org)
Community Foundations of Canada (cfc-fcc.ca)
La Fiducie du Chantier de l'économie sociale (fiducieduchantier.qc.ca)
Ontario Non-Profit Network (ontariononprofitnetwork.ca)
Philanthropic Foundations Canada (pfc.ca)
Plan Canada (plancanada.ca)
Social Capital Partners (socialcapitalpartners.ca)
Social Economy Centre, OISE/UT (sec.oise.utoronto.ca)
Social Finance (socialfinance.ca)
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