



PROVINCIAL TRANSFER PAYMENT AGREEMENT SERIES

Brief one: Provincial government lacks knowledge of Ontario's nonprofit sector



ONTARIO NONPROFIT NETWORK

About the series

There are two interconnected streams of nonprofit advocacy for transfer payment agreements (TPAs): more money and better money. While all [subsectors signal](#) the need for funding that reflects the true cost of delivering programs and services, keeps pace with inflation, and responds to emerging needs, this series focuses on the latter stream: better money. As the public policy landscape shifts towards austerity, there are limited opportunities to advance advocacy with the provincial government for more money. However, advocacy for better money can repurpose the province's red tape reduction, efficiency, and effectiveness agenda. Across the nonprofit sector there are shared issues with TPAs that cause the very same ineffectiveness and inefficiencies that TPAs are supposed to combat.

When done well, TPAs are simple, flexible, contain proportional oversight, and are built on accountability, and reciprocal respect. When not done well, TPAs divert resources from positive outcomes for organizations, their programs and services, and ultimately the communities nonprofits serve.

Over the past two years ONN has collected data through key informant interviews and state of the sector surveys on the most common issues plaguing nonprofits with their transfer payment agreements with the Ontario government. This series highlights those issues, with case studies, and puts forth recommendations for government.

Background

Apart from the [Accountability Directive](#), [Transfer Payment Operational Policy](#), and [Transfer payment Consolidation Smart Initiative](#), many factors influence the contents of transfer payment agreements as well as the procedures, behaviours, and attitudes of how the provincial government funds nonprofits:

- The mandate and priorities of the ministry providing funding.
- Legislation that specifically regulates service and program provision for specific types of services.
- Ministry/department history and program staff's personal experience working with nonprofits receiving the funding.
- Other ministry departments such as legal and financial/audit officials.

Issue

Most elected officials, their offices, ministries, and public servants struggle to understand the full breadth and depth of nonprofit work.

This limited understanding of Ontario's nonprofit sector undermines the government's ability to sufficiently fund programs and services, and leverage the vast potential of the sector to support key public policy priorities.

Context

The narrow understanding the provincial government has of the organizations they fund is a byproduct of a few intersecting trends:

- Lack of resources: The provincial government funds thousands of organizations. Elected officials, their offices, ministries, and public servants do not always have the time and/or opportunity to adequately understand the work of these organizations. The issue worsens when long-serving bureaucrats and political staffers move on from their positions.
- Smaller government: Political ideology that encourages small government as a cost savings measure has become increasingly popular. As a result, there is high turnover amongst public servants and thus organizations are constantly educating new program managers on program portfolios, organizations' missions and mandates, and their impact on communities.
- One-dimensional view of the sector: There is both implicit and explicit resistance to recognizing the sector beyond a service delivery mechanism. Nonprofits, including those funded by the province, are economic drivers, mass employers, facilitators of volunteerism, procurers of goods and services, and they leverage public funding for additional resources. In Ontario, the nonprofit sector contributes \$65 billion to the province's GDP, employing 844,000 people. The workforce reflects Ontario's population in its diversity. With \$1.00 of investment, nonprofits generate up to \$2.18 in GDP impact. This is in addition to the multiplier social and economic benefits they deliver to communities.

Limited perspective means limiting results

Community shelters do more than provide emergency beds. Shelters are experts in harm reduction, provide mental and physical health supports, and function as service navigators for clients, often connecting them to additional services (e.g. employment services). Without sufficient government support, shelters inadvertently function as underfunded transitional housing, especially given that Ontario's ongoing housing and affordability crises has led to an exponential increase in demand for services.

Misunderstanding the scope of the work shelters do creates a domino effect. They are undervalued and therefore underfunded, leading to staff burnout and turnover, and deeply fragmented programs and services. In an effort to bridge gaps, mission drift in organizations can occur as they scramble to find other funding sources which may not align with their mandate.



Context (cont'd)

Limited perspective means limiting results (cont'd)

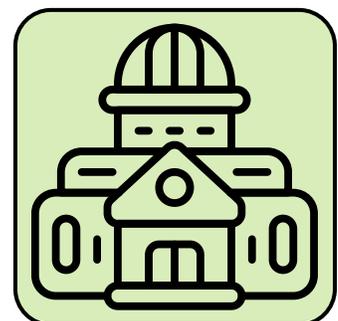
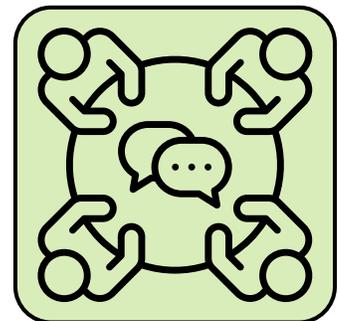
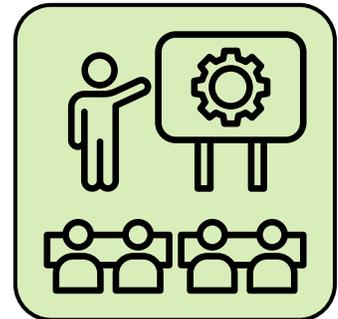
Understanding the work shelters do begins with recognizing the breadth and depth of their work, and impact on clients and neighbourhoods. The work does not begin nor end with solely providing temporary beds, but rather it is a continuous and evolving process that can lead to better outcomes now, and government cost savings in the long run, lessening the burden on other areas of community care and public service sector (e.g. libraries, transit, police, etc.) in the process.

Opportunity

A knowledgeable government funder is beneficial to not only those they fund, but also government itself, the communities the funded programs and services benefit, and the local economies these organizations support in the process. Government can leverage organizations to meet other priorities such as emergency management and/or approach multifaceted issues, such as the housing crisis. It's beneficial for local communities because nonprofits are not solely funded as program and service delivery mechanisms for government, but rather as economic drivers who employ, procure, and spend locally.

Recommendations for provincial government

1. Implement nonprofit training for offices of elected officials and public servants about the nonprofit sector, and the organizations they are designated to fund.
 - Example: The federal Treasury Board Secretariat has recently launched the [Grants and Contributions Transformation Initiative](#). This initiative will help bureaucrats' develop policies to not only streamline funding, but also better understand the organizations they are funding.
2. Ensure nonprofits are part of key roundtables, consultations, and stakeholder lists (other examples of these engagement opportunities include: COVID-19 recovery, red tape reduction, and small business advisory) to build relationships with the sector as a partner in collectively supporting Ontarians, rather than as an unequal party in a contract.
3. Create a [home in government](#) for the nonprofit sector, to effectively work with Ontario's 58,000 nonprofits and charities.



Conclusion

When governments do not fundamentally understand the work of the organizations they are funding, they cannot grasp the organizations' budgetary, staffing, or programming needs, let alone their potential.

This knowledge gap leaves organizations undervalued, underfunded, and underutilized. Responding to community needs starts with government better understanding the nonprofit sector.

About ONN

ONN is the independent nonprofit network for the 58,000 nonprofits in Ontario, focused on policy, advocacy, and services to strengthen the sector as a key pillar of our society and economy. We work to create a public policy environment that allows nonprofits to thrive. We engage our network of diverse nonprofit organizations across Ontario to work together on issues affecting the sector and channel the voices of our network to government, funders and other stakeholders.

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