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Procedure for Canadian Partners and Applicants funding non-registered organizations for the Act Together for Inclusion Fund

Introduction

Funding non-registered organizations has long been overlooked. However, in 2021 GAC indicated in its Call for proposals – Education for refugee and displaced children and youth in Sub-Saharan Africa that "refugee led organizations (RLOs) and internally displaced people (IDP) led organizations are defined as community-based organizations (CBOs), including women-led organizations, working in the education sector that are either founded and/or led by refugees and/or IDPs as decision makers. While some RLOs and IDP-led organizations are officially registered with the host state, others cannot register due to legal barriers. **Both registered and non-registered organizations can receive assistance within the context of this call**.

Equitas seized this opportunity to highlight how these legal barriers are particularly challenging for organizations working to advance the human rights of LGBTQI people in many countries of the world, whose repressive laws deeply limit the agency of human rights LGBTQI activists. While much can be achieved through the flexibility of a fiscal sponsor, it does come at a financial cost and increased layers of administration. In the context of ACTIF, it would be transformational to move away from the unequal power inherent in a local fiscal-sponsor relationship, and to provide greater flexibility in the funding of non-registered organizations. Furthermore, many Canadian partners feel that they can act as the fiscal sponsor in the context of an ACTIF project. However, this decision on behalf of Canadian organizations should not be taken lightly. The purpose of this procedure is to accompany Canadian organization in understanding the risk and responsibility they are undertaking when they enter into a partnership with a non-registered organization.

1. Equitas' Role and Responsibilities.

Equitas' responsibility is to ensure appropriate due diligence and risks analysis when evaluating projects and proposed partnerships with a non-registered organization. Equitas will also evaluate the need for additional financial management and risk mitigation measures when a partnership with a non-registered organization is proposed. These due diligence and risk mitigation strategies will include:

- Limit the option of funding non-registered organizations to Canadian partners that have demonstrated experience in providing financial resources to local organizations in developing countries and the adequate financial management of these projects. If the partner is new to working in ODA eligible countries, there is the need to first begin building a track record of capacity to management partnership, projects, and funding, prior to working with non-registered organizations.
- Clearly explain to the Canadian organization the risks and added responsibilities they undertake when entering into a partnership with a non-registered southern partner.
- Undertake adequate due diligence and screening measures, particularly around financial capacity. Should capacity issues be identified, measures such as more frequent reporting, smaller transfers or capacity strengthening activities will be required (see table below).
- Assess the Canadian organization to determine whether it has the financial capacity to reimburse funds, as per their operating budget or reserves, and to determine the level of risk for Equitas. Equitas will also undertake a financial assessment of the Canadian organization, including their financial management and monitoring procedures and the maintenance of adequate insurance coverage.
- Assess the Southern non-registered organization and Canadian organization through the organizational profile form, due diligence process and reference check.
- Review the Canadian organization's financial assessment of the non-registered organization and risk mitigation and project management measures relating to funding non-registered organizations.
- Add clauses in the MOU that reflect the added risk of funding non-registered organizations or ask for a copy of the MOU signed between the Canadian and non-registered organization.

Equitas will aim to develop a trust base relationship with Canadian organizations to ensure open communications and working together should incidents arise. Equitas will also provide a copy of Equitas' Procedure on Fraud to ensure a common understanding of the protocols to follow. Equitas will ensure that there is proper oversight by the Canadian partner over the non-registered partner organization's financial management of the project.

LOWER RISK (For example, Canadian Charities with Experience working with registered and non-registered organizations internationally)	**General Mitigation Measures** • Initial Financial Capacity Strengthening Activity (FCSA) visit of Canadian partner • Financial monitoring and support for reporting and budgeting. • Programmatic monitoring with Canadian partner (at least twice/year). • Copy of MOU signed between Canadian and Southern Organization. • Quarterly reports with lists of transactions. • Canadian organization will submit to Equitas supporting documents of the non-registered partner’s financial reports and bank records. • Canadian CSOs keep electronic copies of all supporting documents for costs incurred by ACTIF funded project from non-registered organization. (until 31 May 2030: three years after the end of Equitas’ contribution agreement with GAC). • Separate bank account for southern-non registered partners. • Holdback 2%. **Specific to lower risk** • Canadian Organizations can provide higher amounts to non-registered organizations (up to $50,000 annually). • Multiple non-registered organizations can be included in the project.
MEDIUM RISK (For example - Canadian Charities with no previous experience working with non-registered organizations)	**General Mitigation Measures** • same as above. **Specific to medium risk** • Smaller and more frequent disbursement and more frequent reporting than lower risk (quarterly). • Canadian Organizations can provide limited annual amounts to non-registered organizations (up to $30,000 annually). • Multiple non-registered organizations can be included in the project. • Higher holdback percentage.
HIGHER RISK (Canadian Non-Profit Organizations working with non-registered organizations for the first time)	**General Mitigation Measures** • General mitigation measures as above. **Specific to higher risk** • For Canadian non-profit organizations, they would be asked to show they have sufficient unrestricted funds to cover the potential loss of funds transferred. • Monthly reports, with detailed list of transactions, review of general ledger (if they have it), bank records and supporting documents. • Smaller and more frequent disbursements. • Smaller grants (maximum $10,000 per year). • Only one or two non-registered organizations can be financed. • Highest Hold-back percentage.

Unacceptable risk	• Canada organization that have never worked with international partners and projects or when Equitas determines that risk is too high.

2. Canadian Organization Role and Responsibilities

I. The Canadian organization understands and acknowledges that they are responsible for ACTIF project funds. It is their responsibility to reimburse any funds for their ACTIF funded project to Equitas, that are lost or not used for eligible expenses as per article 20 of the general terms and conditions of agreements with Global Affairs Canada (See financial procedures for more information). When working with non-registered organization the risk that funds will be lost or used on unallowable expenses is higher.

20. ***Overpayment, Repayment and Recovery of the Contribution***

The Canadian partner shall repay the Receiver General of Canada and the Department, any amount of the Contribution that exceeds the amount to which the Organization is entitled or any payment made for expenses not eligible under the Agreement, any amounts identified in paragraph 16.2 c) and any balance not disbursed or recognized. T<u>he Organization shall repay the Department, within the time specified in the notice requesting such repayments, the amount of the Contribution disbursed or the amount of the overpayment or any disallowed costs, as the case may be</u>. Interest shall be charged on any overdue amount in accordance with Treasury Board of Canada's Interest and Administrative Charges Regulations. Any such amount is a debt due to Her Majesty and is recoverable as such.

The Canadian organization is responsible for undertaking adequate due diligence and vetting processes, and in particular financial capacity assessments prior to proposing this partnership for ACTIF funding. They will be asked to describe their due diligence and risk assessment procedure.

II. The Canadian organization will declare what risk mitigations and financial controls have been put in place to address the risks to partnering with a non-registered organization (See form below). A more complete assessment will be made by Equitas during the FCSA visit. Before approval from Equitas, Canadian organizations will be asked to share their assessment of the financial capacity of their non-registered partners.

The Canadian organization will also outline a financial capacity strengthening plan in response to their assessment.

III. Canadian organization will provide a copy of the MOU with the non-registered organization, if they are not signatories to the agreement with Equitas. According to CRA, the Canadian charitable organization will "direct and control" the activities of the non-registered partner; if the Canadian partner is not a charity Equitas will assume the direction and control role. These controls include written agreements to define partnerships, ongoing monitoring of activities and funds, and adequate financial reporting.

IV. Financial reporting will be based upon the risk assessment of the Canadian organization as per the Financial Procedures annexed to the MOU. Additionally, the risk assessment of the non-registered organization shall determine reporting and disbursement requirements. At minimum, this will include:

- Canadian organization keep electronic copies of all supporting documents for costs incurred by ACTIF funded project from non-registered organization. (until 2030, or three years after Equitas' contribution agreement with GAC).
- Canadian organization will submit to Equitas supporting documents of the non-registered partner's financial reports and bank records.
- Separate bank account for the project.
- Smaller and more frequent disbursements.
- Clearly defined monitoring processes which establish frequency of monitoring activities for financials, activities, and progress against results.

V. Equitas and the Canadian partner will develop a trust base relationship to ensure open communications and working together should incidents arise. The Canadian organization will also review Equitas' Procedure on Fraud and Corruption to understand the protocol should incidents arise. The Canadian organization and its Southern partners, as per the articles of the MOU, will provide access and make documentation available to Equitas as required.

VI. Organizations working to advocate for LGBTQI rights often cannot register as advocating for these rights; this may be illegal or the fear of violence and discrimination forces them to operate clandestinely. This is particularly true in countries where there is criminalization of same sex relations and other legal barriers to LGBTQI+ (Allies) rights. There are therefore increased physical risk to the members of the non-registered organization that need to be considered by Canadian partners to ensure the safety of their partners and respond to threats should they occur.

FORM for an Organization with experience in international development programming seeking to work with non-registered organizations

Identification	**Name of Canadian Organization**	
	Name of non-registered organization	
	Country	**Budget for non-registered Organization and Duration of project**
Due Diligence	1. Describe your prior experience working with non-registered organizations.	
	2. Please share with us your due diligence process in selecting this non-registered partner.	
	3. Have you worked with this partner before? Please explain the history of your work with the partner, including budget amounts, the purpose and duration of the collaboration. Include your history of working in the country.	
	4. Please provide a description of the Southern partner's governance structure and the names of the people on this governance committee.	
Financial Controls	5. Please share your risk/capacity assessment for this organization, detail your assessment process and the mitigation measures/capacity measures you will put in place for identified risks. (Please send attachments of any relevant documentation).	
	6. What additional controls will you put in place to manage the non-registered organization? (Example: opening a separate bank account for the non-registered organization, etc.).	
	7. What is your current or proposed financial reporting frequency and size of disbursements when working with non-registered organization? What supporting documents do you normally require?	
	8. What procedures will you share with them to support adequate internal controls? (Example, procurement procedure, etc.). Please provide us with copies of these procedures.	
	9. Does the Canadian partner have unrestricted funds to cover any losses?	
Monitoring	10. How will you monitor this project on activities and results with the non registered partner (describe frequency and methods)?	