



UNDERSTANDING CIDA's MATCHING FUNDS AND THE PAKISTAN FLOOD RELIEF FUND

By Mark Blumberg (September 13, 2010)

The Pakistan flooding started slowly around July 21, 2010 and got progressively worse so that now it is the worst flooding in Pakistan in the last 80 years. Unlike the Tsunami and Haiti which happened in minutes or hours it took weeks for the full magnitude of the disaster to become apparent. By August 14, 2010 the Canadian government had already allocated \$33 million for Pakistan. Then on August 22, 2010 the Canadian government announced that it had set up The Pakistan Flood Relief Fund and CIDA was prepared to place in this fund an amount of money equal to eligible donations by Canadians. The matching period was initially from August 2 until September 12 but then was extended¹ to October 3, 2010. There is no upward limit to the amount of money that the Canadian government will put in that fund to match Canadian eligible donations.

Charities that receive eligible donations should advise CIDA, as will be discussed below, of the amounts of the donations and these various declarations will determine the amount in The Pakistan Flood Relief Fund. However, it is important to note that CIDA is not providing matching funds to specific charities that raise eligible funds for Pakistan. Therefore, submitting the declaration does not entitle your charity to any funds – all that it does is increase the amount of funds in the Pakistan Flood Relief Fund, which your charity may or may not be eligible or successful in applying for under a separate application process.

This note will discuss the rules for the Pakistan Flood Relief Fund and is based extensively on the CIDA document "Pakistan Flood Relief Fund"², "Guidelines for submitting proposals to the Pakistan Flood Relief Fund"³ and a CIDA's "Frequently Asked Questions"⁴ page.

¹ <http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/En/FRA-911134657-NUX?OpenDocument>

² <http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/ANN-820133234-NKW>

³ <http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/ANN-820133234-NKW#a4>

⁴ <http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/NAT-821235844-929>

CIDA Criteria

The basic elements of the CIDA Pakistan Flood Relief Fund are as follows:

- a) The Government of Canada will match eligible donations made from August 2, 2010 until October 3, 2010. Therefore, donations before August 2, 2010 or after October 3, 2010 cannot be included as part of eligible donations.
- b) Eligible donations must be:
 - Monetary, up to \$100,000; [gifts in kind or non-cash gifts will not be counted toward the CIDA Fund]
 - Made by an individual Canadian; [Not businesses, non-profits, or charity reserves]
 - Made to registered Canadian charities that are receiving donations in response to the July-August floods in Pakistan;
 - Specifically earmarked by such registered charities for the purpose of responding to the floods;
 - Made between and including August 2 and October 3, 2010.

Not all registered Canadian charities will be collecting funds for the disaster response. Not all charities in Canada are Registered Canadian charities. To work out if a Canadian charity is a registered Canadian charity see the CRA's website at <http://www.cra-arc.gc.ca/chrts-gvng/lstngs/menu-eng.html>

- c) For every eligible dollar donated by individual Canadians to registered Canadian charities, the Government of Canada will contribute one dollar to the Pakistan Flood Relief Fund. CIDA will allocate these funds to established Canadian and international humanitarian and development organizations for humanitarian assistance, early recovery, and reconstruction efforts that benefit the people in Pakistan most affected by the floods. **IMPORTANT: Registered Canadian charities that raise funds eligible for the Pakistan Flood Relief Fund will not receive a matching amount from the Government of Canada.** For each dollar raised, the Government of Canada will make an equivalent donation to the Pakistan Flood Relief Fund, which will be administered separately by CIDA.
- d) While some have suggested CIDA should match fundraised dollars I think that providing hundreds of charities with matching funds would be inefficient and promote disaster relief funding for organizations that can fundraise but not necessarily deliver on the ground relief. Many organizations do not appreciate the level of transparency and accountability that goes along with receiving CIDA funds and they do not have systems in place to meet those requirements. Well-intentioned, but inexperienced, organizations may not be able to meet international standards for disaster response. CIDA will have certain limited funds and they need to allocate them in a manner which will get the best results and have the necessary accountability. CIDA advises in its FAQ: "The Pakistan Flood Relief Fund will support efforts by experienced Canadian and international humanitarian and development organizations to provide humanitarian assistance, early

recovery, and reconstruction activities. Decisions as to which organizations will receive funding will be made by CIDA, based on the merit of the proposals received and the ability of the organization to deliver aid quickly and effectively.”

- e) Both tax-receipted and non tax-receipted donations are eligible to be counted as eligible donations towards the relief fund. Donations can be made in cash or by cheque, money order, credit card, or wire transfer. Donations made by Canadian individuals by cheque must be issued from a personal bank account (that of the individual) and not a corporate bank account. It is important to keep in mind that the Charities Directorate of CRA has rules for when it is appropriate to provide an official donation receipt – those rules are different than the CIDA criteria for an eligible donation. For example, for CRA purposes charities can accept non-cash gifts and issue receipts for the fair market value but these do not count towards CIDA’s eligible donations which have to be monetary.
- f) Organizations have until October 18, 2010 to submit their declaration forms indicating the amount of eligible donations they have collected. Here is the declaration form in Excel format.⁵ The Declaration Form asks for the Name of registered Canadian charity; the Canada Revenue Agency (CRA) number; Amount of eligible donations (CAD); Name of authorized representative; Title; Address and contact information. The Declaration Form also asks “SECTION 3: Please indicate how the funds declared above have or will be used to provide relief for those affected by the floods in Pakistan:” and it provides a drop down menu with options.
The completed form can be sent by e-mail to: pakistan@acdi-cida.gc.ca or by registered mail to:
- Canadian International Development Agency
Pakistan Floods Relief Fund
International Humanitarian Assistance Directorate
Multilateral and Global Programs Branch
200 Promenade du Portage, Gatineau QC K1A 0G4
- g) There is no limit on the amount of money available through this equivalent fund from the Government of Canada.
- h) Eligible donations will:
- Include amounts from a fundraising event by schools, faith-based organizations, clubs, social groups, businesses, incorporated entities, or registered Canadian charities to raise money from individuals in response to the July-August floods in Pakistan. [Therefore third parties can conduct fundraising events but the source of the money must still be individuals and not businesses, etc.]
 - Exclude any donations by corporations, governments, businesses, partnerships, schools, incorporated or non-incorporated entities, and unions from their existing

⁵ [http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/Pakistan/\\$file/PakistanFloods2010_MatchingFund_DeclarationForm_EN.XLS](http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/Pakistan/$file/PakistanFloods2010_MatchingFund_DeclarationForm_EN.XLS)

resources that were not raised from individuals specifically in response to the July-August floods in Pakistan.

- Ensure no double-counting of donations (that is, donations collected by a registered Canadian charity and given to another such organization should be declared only once to CIDA). [To the extent that any registered charity provides funding to another registered charity that originally came from individuals it is important that both registered charities check whether the other is making a declaration and which charity will include those funds in its declaration.]
- Exclude donations that were made by corporations, governments, incorporated entities, charitable organizations, unions, or government bodies (provincial, territorial, or municipal) to augment an amount raised in a fundraising activity or event.

Some Issues

It is not clear whether the "individual Canadian" means a resident Canadian or a citizen of Canada. Presumably, either would be acceptable. CIDA wants the donation to have some sort of nexus with Canada and come from individuals.

What if an amount is fundraised by a third party before August 2, 2010 but only provided to the charity after August 2. From our discussion with CIDA it appears that "donations" made before August 2, 2010 would not be considered eligible donations under the CIDA criteria. The "donation" would take place when the donor gave the third party the funds.

"Donations made by Canadian individuals by cheque must be issued from a personal bank account (that of the individual) and not a corporate bank account." CIDA has advised that if a fundraiser for a charity has consolidated the donations into one cheque, then the fundraiser should specify the donations that were made by cheque and whether those cheques were issued from personal or corporate bank accounts.

Charities need to ensure that if a third party fundraiser is providing them with funds that none of the funds are from the existing resources or reserves of the third party as opposed to having been raised from individuals specifically for the flood.

Although the value of an official donation receipt issued by a registered charity under the *Income Tax Act* has to be reduced by any advantage received by the donor, it would appear that the whole donation may potentially be taken as revenue for CIDA purposes because CIDA is not concerned with whether the donation is receipted or not.

APPLYING FOR CIDA FUNDING

If your charity is interested in applying for funds you should review the Guidelines for Emergency Humanitarian Assistance Projects and Proposals.⁶ The Guidelines are a 43 page document. The Guidelines were originally developed in 2002 and revised in 2006.

In terms of “Criteria for Approving a Proposal” it notes:

We assess appeals in consultation with the concerned Canadian mission overseas, with relevant programs in CIDA, and with the Department of Foreign Affairs and International Trade. Information is continually received and compiled from diverse sources including GOs and information networks established by the UN and the Red Cross. We are not able to respond to all proposals that we receive.

Acceptance of a proposal depends on a convincing needs assessment, a credible results-based proposal (see Section #3 of these guidelines for details), organizational capacity of the implementing partner to deliver results, and available funding. Contributions of other donors and relief agencies are taken into consideration. We do not provide funding to NGOs on a matching grant basis and the financial participation and commitment of the NOO is taken into account as part of the appeal assessment. Note that the IHA program neither favours nor discriminates against recipient organizations on the basis of race, religion or creed.

As well in terms of “Organizations Eligible for Funding” it provides:

Organizations eligible to receive funding from the IHA program generally have an existing field structure - complete with established local partners - in the disaster affected area, as well as an established track record in achieving results in emergency relief. Below we have included a checklist that we use to establish NGO eligibility for program funds. We prefer to fund NGOs with direct involvement in emergency projects. Lower priority is given to NGOs acting as funding intermediaries.

NGO Eligibility - Institutional Criteria

- Must be a Canadian organization, legally incorporated in Canada, that has existed for at least three years.
- Must be registered as non-governmental and non-profit.
- Must have organizational by-laws that clearly state the following: conditions of membership and the organization's relationship to the larger Canadian society;

⁶ [http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/Funds/\\$file/guidelines02.pdf](http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/Funds/$file/guidelines02.pdf)

who is paid to work with the organization; and what happens to the property of the organization, including any debts, in the event of dissolution.

- Must possess satisfactory systems and skills in results-based management, including financial accounting, monitoring, and reporting.
- Must demonstrate the ability to raise funds from the Canadian public for humanitarian assistance.
- Must adhere to The Code of Conduct for the International Red Cross and Red Crescent Movement and NGOs in Disaster Relief (visit <http://www.icrc.org> to review this code).
- Should aspire to Sphere Minimum Standards in Disaster Response, or other recognized ethical norms, in implementation of activities (visit <http://www.sphereproject.org> to review Sphere standards).

NGO Eligibility - Program Criteria

- Must have experience and proven capacity to achieve results directly relevant to the IHA short-term responsive program.
- Must be able to submit credible reports showing a track record of achieving relevant results.
- Must have in-house skills in at least one of the priority activity sectors of the IHA program.
- Must have three years of work experience in the delivery of humanitarian assistance in at least three different countries.
- Must be committed to networking, partnership, and coordination through strong existing relationships with local NOOs in developing countries, and experience of cooperation with UN organizations and local government

Exceptions to the foregoing may be granted (e.g. to operations in at least three different countries) where an NGO can demonstrate that it has the requisite experience, skills and partnerships to deliver effective humanitarian assistance in a particular setting.

REMINDER ABOUT CRA RULES

The Charities Directorate of CRA administers the *Income Tax Act* and the obligations of registered charities under the *Income Tax Act*. If you are a registered charity under the *Income Tax Act* you need to comply with the requirements set out in CRA's recent Guidance on Foreign Activities. See:

http://www.globalphilanthropy.ca/index.php/blog/comments/cras_new_guidance_on_foreign_activities_by_canadian_charities/

CIDA has a different mandate and it is not CIDA's job to remind Canadian charities of their obligations under the *Income Tax Act*. CIDA will have its own requirements for any charities that it provides funding to under The Pakistan Flood Relief Fund.

If you require further assistance call CIDA or the CRA or contact your legal advisor.

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