

**Written Submission for the Pre-Budget Consultations
in Advance of the Upcoming Federal Budget**

By: Imagine Canada

Recommendation 1 – A home in government for the sector

We reiterate our longstanding recommendation that the federal government establish a “home” for the sector within the machinery of government.

Recommendation 2 – Reforms in the administration of grant and contribution programs

We recommend that the federal government implement reforms to its grant and contribution programs, including covering full administrative costs; ensuring that agreements cover a minimum of two years; ensuring that information required for application and reporting be commensurate with the level of funding; and creating minimum standards across all departments.

Recommendation 3 – An investment in sector data

We ask that the federal government provide Statistics Canada with a clear mandate to collect comprehensive economic and employment data about charities and nonprofits, and funding of \$1 million a year to do so.

Recommendation 4 – Qualified donee reforms

We recommend that the federal government work with the sector to reform the existing rules on qualified donees and direction and control so that public and charitable funds continue to be protected, but in a way that allows organizations to respond more effectively to future crises.

Recommendation 5 - Support social enterprise activity

We recommend that the federal government implement the remaining recommendations of the Social Innovation and Social Finance Co-Creation Steering Group. Social enterprise activity, a key component in overall sector financial sustainability, requires support in the areas of knowledge sharing, social procurement, access to business skills, and social finance tools, designed for the needs of nonprofits and charities.

Canada's 86,000 registered charities – and a similar number of nonprofit organizations – have been hit hard by the COVID-19 pandemic. Nonetheless, they continue to deliver vital services to Canadians.

Charities, nonprofits and social enterprises are vital to the kind of economic recovery we believe Canadians deserve. Among the factors that need to be taken into account in recovery planning:

- By late April almost 70% of charities had experienced revenue losses with the average loss being 30%. Given the narrow margins that organizations sustain, this figure can be said to indicate a 30% loss of vital program capacity in communities across Canada.¹
- Statistics Canada's July 10, 2020 Labour Force Survey data indicate that overall job losses have disproportionately affected employment categories in which charities and nonprofits are concentrated.²
- Close to 80% of the sector's labour force is women³, and the communities served by our sector tend to be those hardest hit by both the economic and public health effects of the pandemic.

Charities, nonprofits and social enterprises remain committed to serving their communities and being full partners in the nation's economic recovery. Organizations in the sector provide a wide array of services in Canadian communities that will be crucial to a healthy and strong recovery, including:

- **Child care services, after school programs, and day camps.** These are vital to ensure parents are able to return to work. Charities and nonprofits need to be in a position to offer these services, the absence of which will disproportionately affect women and single-parent families.
- **Services to racialized populations and social justice support.** Our sector is the primary provider of skills, language and literacy training, justice and social equity support, anti-racism resources and programs as well as advocacy for these communities.
- **Animal welfare.** From the preservation of ecosystems, to the care and protection of all animals and the development of sustainable and supportive solutions for communities, their work needs to continue.
- **Mental health services.** Whether by directly providing mental health services, or providing Canadians with a semblance of normalcy (e.g., through amateur sports or arts), our sector will be at the forefront of helping Canadians recover mentally and emotionally from the pandemic.
- **Services to people with disabilities.** Charities and nonprofits ensure people with disabilities have a voice through advocacy efforts and a valuable place within society through career support, social activities, training, and more.
- **Animal welfare and environmental sustainability.** From the preservation of ecosystems, to the care and protection of all animals and the development of sustainable solutions for communities, their work needs to continue.
- **Services to seniors.** Services provided by these organizations help seniors deal with the isolation imposed by the pandemic and the deleterious mental and physical health consequences of this.
- **Health services and support.** These organizations play an important role in preventative care, matching individuals to the right services, and providing support that enables individuals experiencing health problems to enjoy a higher quality of life.

¹ Imagine Canada. (2020). Sector Monitor. Retrieved from:

https://imaginecanada.ca/sites/default/files/COVID-19%20Sector%20Monitor%20Report%20ENGLISH_0.pdf

² Statistics Canada. (2020). <https://www150.statcan.gc.ca/n1/daily-quotidien/200710/dq200710a-eng.htm>

³ ONN. (2019). Decent Work for Women Working in Ontario's Nonprofit Sector.

<https://theonncanada.ca/wp-content/uploads/2019/03/DWW-Findings-and-Solutions-Summary-2019-ONLINE-JAN-2019.pdf>

- **Support for women.** Charities report that domestic violence is intensifying under lockdown, with additional support needed to assist children who are experiencing violence at home. Women and their families will need additional support to find safety and support.

We have put forward recommendations⁴ that, if implemented, will lead to structural changes and thus contribute to a stronger and more resilient charitable and nonprofit sector in the long term while costing very little. In other words, our recommendations will have a high return on investment.

Recommendation 1 – A home in government for the sector

Recent events tied to the COVID-19 pandemic have revealed the depth of need for a “home in government” for the charitable and nonprofit sector. Such an entity would be responsible for ensuring the long-term health of our sector while strengthening its relationship to government and policymakers.

Since the pandemic began, a number of policy measures extended eligibility to charities and nonprofits after they were conceived of and designed for other industries. To ensure that resources, both public and charitable, are spent effectively and efficiently, it is crucial that the unique characteristics and revenue models of charities and nonprofits are understood by policy makers and accounted for in the policy design process.

For sector organizations, it has been costly and inefficient not having one place in government to have conversations about sector-wide policy; we believe it is also costly and inefficient for government to be approached through multiple channels, and for government departments to develop programming and policy responses without a complete and thorough understanding of the organizations that advance many federal priorities. The Advisory Committee on the Charitable Sector, housed in the Canada Revenue Agency, has a limited mandate to provide the CRA with advice on areas within its jurisdiction. It does not, as currently constituted, play the kind of role required by either the sector or the federal government.

We reiterate our longstanding recommendation that the federal government establish a “home” for the sector within the machinery of government. This would place charities and nonprofits – which generate 8.5% of GDP and employ 2.4 million people⁵ – on a more even footing with other economic sectors.

Recommendation 2 – Grant and contribution program reforms

Each year, the Government of Canada transfers money to individuals and organizations through grant and contribution programs that provide benefits for communities. These programs promote economic and social development, and enrich the quality of life we enjoy as a nation.

⁴ The recommendations we are bringing forward in this brief are all included in the Senate Special Committee on the Charitable Sector’s [Catalyst for Change](#) report.

⁵ Statistics Canada. (2017). The Daily — Non-profit institutions and volunteering: Economic contribution, 2007 to 2017. Retrieved from: <https://www150.statcan.gc.ca/n1/daily-quotidien/190305/dq190305a-eng.htm>

In the past two decades, a number of reviews of these programs identified the need for change.⁶ The current regime restricts the capacity of recipient organizations to adapt and innovate in increasingly complex environments. Agreements are often short-term, restrictive, and have costly administrative burdens on the side of both government and contracted organizations. In many cases, multi-year funding is not available, which limits strategic and sustainable program planning. Legitimate financial and administrative costs are excluded, and program evaluation is not covered (even though it may be required by the agreement).

The challenges we have heard for many years from charities and nonprofits regarding their use of federal grants and contributions amount to a situation that is untenable and unsustainable as the sector's capacity is stretched to the limit due to COVID-19.

We recommend that the federal government implement, as a starting point, the following reforms to the grant and contribution programs:

- i. Require departments and agencies to cover the full administrative costs associated with delivering the services being funded in transfers to charitable and nonprofit organizations;**
- ii. Ensure that grant and contribution agreements cover a minimum of two years, renewable as appropriate; and that the level of information required for both application and reporting on these agreements be commensurate with the level of funding, minimizing complexity for smaller amounts; and**
- iii. A better integration of program management practices and standardizing service delivery across government departments.**

Recommendation 3 – An investment in sector data

Imagine Canada and others have also long been concerned about the lack of economic and employment data collected by the federal government about our sector. Once again, the pandemic has highlighted the challenges governments face when they need to make significant and far-reaching policy decisions in a data vacuum. Statistics Canada has the ability and willingness to collect, analyze, and share data that would benefit decision making in jurisdictions across the country, but it needs a clear mandate and resources.

Our ask responds to three related issues. First, there is no comprehensive data source that lists all incorporated nonprofits in Canada and related data, leading to serious gaps in our knowledge about these organizations (e.g., what they do, who they serve, where they operate). Second, critical human resources data on both charities and nonprofits is lacking, leading to an inability to conduct labour force planning and understand basic facts related to skills, compensation and workforce composition. Finally, the federal government has not done annual updates to the Satellite Account of Nonprofit Institutions

⁶ In early 2006, Canada's Auditor General called for changes in terms of the administration requirements of the programs to lessen the burden on recipients. The following year, the Independent Blue Ribbon Panel on Grant and Contribution Programs released a report which concluded that fundamental change was required in the way the federal government understands, designs, manages and accounts for its grant and contribution programs. In response to the report, the President of the Treasury Board released the Government of [Canada's Action Plan to Reform the Administration of Grant and Contribution Programs](#) in 2008.

and Volunteering since 2008.⁷ This has left policymakers and industry actors across the country without essential macroeconomic sector data.

We ask that the federal government provide Statistics Canada with a clear mandate to collect comprehensive economic and employment data about our sector, and funding of \$1 million a year to do so. By way of priorities, we recommend that the federal government:

- i. Engage with the provinces to unlock data on incorporated nonprofit organizations, and ensure this information is comparable and publicly accessible;**
- ii. Develop a national statistical apparatus to provide similar data about our sector as is provided for other industries, which would allow us to understand more about the sector's labour market inputs and outputs; and**
- iii. Commit to annual updates to the Satellite Account of Nonprofit Institutions and Volunteering.**

Recommendation 4 – Qualified donees reforms

The response to the pandemic has made increasingly clear the need for partnerships between charities, nonprofits, governments, and the private sector, to effectively respond to urgent community needs.

Current *Income Tax Act* rules on qualified donees and direction and control make it exceedingly difficult to form such partnerships in a way that puts the needs of communities first. Principles of equity and inclusivity are underserved by the current policy regime, as marginalized communities and Indigenous communities remain unable to benefit from charitable funds to the same degree as more privileged demographics.

We recommend that the federal government work with the sector to reform the existing rules on qualified donees and direction and control so that public and charitable funds continue to be protected, but in a way that allows organizations to respond more effectively to future crises.

Recommendation 5 – Support social enterprise activity

Forty-one percent of nonprofits and charities' revenues come from earned income activity.⁸ These revenue streams draw from diverse sources: theatre tickets, thrift store merchandise, catering and food services, cleaning and construction, clothing manufacturing, to name a few. Network development and knowledge sharing, social procurement, access to business skills, and social finance mechanisms that are designed for organizations' needs, are critical to social enterprise success. In addition to funding the work of nonprofits and charities in nearly every corner of our sector, this kind of earned income activity

⁷ In 2019, Statistics Canada released an update to the Satellite Account of Non-profit Institutions and Volunteering covering the years 2007 to 2017. This was a one-time update only and there is no funding nor plans for future updates.

⁸ Satellite Account of Nonprofit Institutions and Volunteering. Statistics Canada (n.d.), Table 36-10-0613-01 Production, income and outlay accounts of non-profit institutions (x 1,000,000). Ottawa, CANSIM (database).

often helps individuals overcome employment barriers, can facilitate greater independence and flexibility in addressing local needs, and contributes to more inclusive and resilient community economies.

We recommend that the federal government implement the remaining recommendations of the Social Innovation and Social Finance Co-Creation Steering Group's report ['Inclusive Innovation: New Ideas and New Partnerships for Stronger Communities.'](#)