



Opinion

Charities, non-profits need more than upped disbursement quota from feds to advance equity in communities

Increasing the disbursement quota, as outlined in the 2021 federal budget, is a necessary step, but far from a sufficient one if the federal government is to achieve its stated goal of 'boosting' charitable spending in communities.

BY JEAN-MARC MANGIN

Re-elected Liberal government means commitments made will be revisited, and a vision for Canada post-pandemic unveiled.

One commitment, in particular, made in the 2021 federal budget, was the government's intent to increase the disbursement quota, or the minimum amount that charitable organizations must spend or grant each year, as a means to "boosting charitable spending in our communities."

Philanthropic Foundations Canada (PFC) shares this goal of increasing spending in communities. We also believe that increasing the disbursement quota (DQ) is a necessary step, but far from a sufficient one if the federal government is to achieve its stated goal.

PFC steadfastly supports an increase that would balance meeting immediate needs and working to avert future crises. It would be good for Canadians, as it would mean putting more money into communities while at the same time improving timely and accessible delivery of services and programs for those who need them most. But the DQ is simply a floor, not a ceiling. Most

foundations already grant out more than the quota provides, and many have stepped up even further during the pandemic.

Moreover, we believe that the DQ represents only one element of a much broader and necessary policy conversation related to how to increase investment in communities and collectively unlock the full socio-economic potential and public benefit of the non-profit and charitable sector. A modernization conversation is essential if we are to effectively increase charitable spending now and in the future and prevent those experiencing vulnerabilities from being left behind.

Our sector has been a driving force in building and shaping the Canada we know today. It comprises 8.4 per cent of Canadian GDP and employs well over two million people—80 per cent of whom are women—in addition to millions of volunteers. More Canadians leaned on the non-profit and charitable sector in the last 18 months than ever before. Yet, at the same time, nearly 70 per cent of non-profit and charitable organizations saw a sharp fall in donations. To adequately support this critical sector underpinning the well-being of our communities during and after this pandemic, we need to engage with the government in a more holistic discussion that considers a broader range of policy tools and enabling conditions.

More precisely, we must address the policy roadblocks that impede the sector's modernization for philanthropy to effectively fulfill its unique role in providing direct support, social risk capital, and other contributions that strengthen civil society—an essential feature of a dynamic, diverse, and inclusive democratic society. PFC believes that the government should work with the sector on three specific "conditions" that would enable both an increased flow of funds and a

higher disbursement quota to be more effective and equitable.

First, we need to adopt more inclusive operating rules to better support organizations that provide services for the common good even if they do not have official charitable status. Such groups are overwhelmingly led by and serving those who are Black, Indigenous, and other equity-seeking populations, and often are the best equipped to identify and advance solutions for their own communities. As proposed in the recent Senate public bill, dubbed the Effective and Accountable Charities Act (that passed through the Senate but died on the order paper in the last Parliament), we need to break free from the outdated rules regarding "direction and control" in the Income Tax Act that prevent true partnerships to better ensure that underserved populations can equitably benefit from available charitable funds. Otherwise, policy changes to increase charitable spending are likely to mainly boost funding to well-established donees led by and focused on the most privileged in our society.

Second, we must put all charitable assets to work for the common good. We should go beyond just the granting set by the DQ to include the deployment of all foundation assets through impact investing. Raising the DQ centres on increasing grants, but grants constitute a fraction of the economic clout of a foundations' capital, and only one narrow way it can contribute to the common good. We need a policy that will lead to increases in responsible investments across the sector. In line with the 2011 Canadian Task Force on Social Finance recommendations, we need policy levers that encourage more foundations to invest more of their assets in ways that further their charitable objectives. This could eventually bring billions—well beyond an increased

DQ—of new investments to public and community priorities such as affordable housing, social finance, clean energy, and green bonds.

Third, we must address the data deficit within and about the charitable sector so that both government and the sector can improve analysis, accountability, transparency, and impact. Overhauling the T3010, the government's annual information return required for the charity sector, and mandating online reporting and reporting on investments as well as diversity at the leadership level are necessary to support greater transparency, better data, and more impactful philanthropy overall.

PFC believes that these enabling conditions must be at the core of any public policy exercise aimed at strengthening the role of philanthropy in supporting the public good. Without them, any efforts to boost charitable impact and spending such as increases to the DQ are likely to produce suboptimal, inequitable, and other unintended outcomes.

PFC also stands behind the recommendation that many leaders in Canada are calling for related to securing a "home in government" for the non-profit and charitable sector. Such a development would immensely help to facilitate strategic dialogue for greater financial and organizational resilience across the sector and to maximize its enormous economic and social role in communities across Canada.

Above all else, we encourage the federal government to include—and to listen to—as many diverse voices as possible to make sure the sector is ready and able to support our most vulnerable for the remainder of the pandemic and beyond in the name of a more inclusive and equitable Canada. The non-profit and charitable sector is a critical pillar of our society and, with a modernized regulatory framework, can be an even more effective backbone in communities as we work towards pandemic recovery. We hope all Members of Parliament and policymakers will commit to engaging in a much broader renewal process.

Jean-Marc Mangin is president and CEO of Philanthropic Foundations Canada, a national network of foundations working to strengthen Canadian philanthropy – in all of its diversity – in its pursuit of a just, equitable and sustainable world.

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