



Philanthropic
Foundations
Canada

Budget 2023



Analysis
March 31, 2023

Philanthropic Foundations Canada plays an active role in engaging governments, civil society partners and influencers to create enabling environments for a more inclusive, sustainable, and prosperous Canada.

Driven by PFC's purpose to strengthen Canadian philanthropy, we work hard to align and amplify our efforts in public policy and advocacy. This work is rooted in insights from our partnerships, research, and programs, as well as current affairs and external events.

Our public policy and advocacy work centres on issues related to the effectiveness and impact of philanthropy, including the legislative regulatory framework. Our current policy priorities include:

- the disbursement quota
- better support for non-qualified donees
- increasing impact and mission-related investment
- fixing the sector's data deficit

Our strategies include government relations, member and community engagement, developing and disseminating strategic insights and research, and steering robust and timely communications efforts.

CONTACT

Sara Krynitzki
Director of Public Affairs and Research
skrynitzki@pfc.ca

www.pfc.ca

Introduction

The federal budget sets out the Government of Canada's spending priorities for the years ahead. On March 28, 2023, Finance Minister and Deputy Prime Minister Chrystia Freeland delivered her third — and the Trudeau government's seventh — federal budget. The backdrop to the budget was a year in which the global pandemic faded as a political issue, with the state of the economy and rising inflation taking a prominent role on centre stage.

After last year's eventful federal budget for our sector, which changed the disbursement quota rate and introduced new rules related to granting to non-qualified donees, and historic funding inclusions in 2021's pandemic budget, many had expected a quieter budget this year for charities and nonprofits, especially in terms of new legislative proposals. That forecast was accurate.

What we didn't see

As outlined in [PFC's Budget 2023 submission](#), implementing our recommendations would have gone a long way to improve philanthropy's collective impact for the common good, and enhance the ability of Canada's nonprofits and charities to provide crucial services, deliver innovative programs and build strong communities at home and abroad. As our sector faces the greatest health and economic challenges in generations, Canada's non-profits and charities will be looked upon to continue filling gaps.

We are encouraged that some progress is being made on a few fronts with some announcements in Budget 2023, mainly in the area of new funding available in some important areas. Nonetheless, overall, Budget 2023 represents a missed opportunity. Sustained improvement requires that the sector and the federal government work together over the long term, but none of the budget recommendations that we, alongside other leaders in our sector, were advocating for were included.

DISBURSEMENT QUOTA AND A PERIODIC REVIEW

Rising inflation and unstable markets in Canada and elsewhere are major issues, which underscore PFC's important recommendation that regular reviews of the disbursement quota regime be undertaken *at least* every 5 years, according to a data-driven formula that promotes philanthropic impact and precludes capital accumulation in endowments.

A five year review was promised in Budget 2022, but there have been no details released on this to date, and we were hoping for a reaffirmed commitment in Budget 2023.

A review should include an analysis of a rolling five-year average of inflation, and actual returns and liquidity for a responsible and balanced investment portfolio. As a floor for disbursing assets, the disbursement quota should reference long-term rates of returns for prudent and diversified investment practices by endowed foundations.

ADDRESSING THE DATA DEFICIT

In Budget 2022, the government promised to improve data collection from charities, including on investments and Donor Advised Funds (DAFs) but they have not to date introduced measures to this effect. In Budget 2023 there were also no announcements related to any of these commitments, nor reference to overhauling the T3010, the annual return every charity must make to government, as PFC has long advocated for.

We understand that the CRA is actively working on releasing the new granting guidance (expected next summer) and a revised T3010 next fall to account for the new disbursement quota regime and legislation for granting to non-qualified donees. However, the reality is that a material change to poor data quality on our sector is unlikely to occur until the T3010 is overhauled, most notably with regard to nudging online filing and an online system being re-structured in a way that won't allow for incomplete filings.

Overhauling the T3010, and including mechanisms for reporting on investments and DAFs in the T3010, would be a low-cost way to meet the government's commitments, capture data more effectively and usefully, and increase accountability.

SUPPORTS TO ENSURE THE EFFECTIVENESS OF NEW REGULATIONS

PFC had hoped to see resources allocated in Budget 2023 for the CRA to ensure support for the sector vis a vis the recent major regulatory changes regarding new qualifying disbursements and disbursement quota rules. The resources available to CRA's Charities Directorate should correlate with the size of Canada's nonprofit and charitable sector and the value of its economic and social impacts. As a major contributor to the GDP (8.5% - more than the fisheries sector or agriculture), much greater consideration and attention are needed for Canada's non-profits and charities.

HOME IN GOVERNMENT

Lastly, we are disappointed that in Budget 2023 the government did not commit to designate a dedicated advocate or "home" for the non-profit and charitable sector within the machinery of government. A home within government would provide much-needed information and advocacy, and a platform for

collaboration, greater efficiency, and strengthening the long-term resilience and ongoing impact of the sector.

Over all, this budget failed to acknowledge the value and role of charities and nonprofits, at a time when communities increasingly need its support. The fact that this critical sector was left behind underscores the need for and importance of a home in government for the sector.

Measures affecting foundations and the broader non-profit and charitable sector

GREEN ENERGY AND TECH

A key theme of Budget 2023 the government wanted to convey was in regard to green energy and tech. The budget included several proposed tax incentives, investments, and funds to help achieve Canada's net-zero emissions goals. This may be interesting for foundations concerned with a decarbonized economy and impact and ESG investing. Some of the key measures introduced include:

- The Canada Growth Fund, a \$15 billion arm's length public investment vehicle to help attract private capital to build Canada's clean economy by using investment instruments that absorb certain risks in order to encourage private investment in low carbon projects, technologies, businesses, and supply chains
- \$500 million over ten years to the Strategic Innovation Fund to support the development and application of clean technologies in Canada, and direct up to \$1.5 billion of its existing resources towards projects in sectors including clean technologies, critical minerals, and industrial transformation

KEY FUNDING PROMISES

Most of what is relevant in Budget 2023 for the sector and its stakeholders are funding announcements. Here is a selection that PFC members will find interesting, as these funds may be available to foundation grantees and partners, and help address the issues foundations are working to advance.

- \$10 million in 2023-24 to top up the Local Food Infrastructure Fund to strengthen food security in Northern, rural, and Indigenous communities across Canada

- \$160 million over three years, starting in 2023-24, for the Women's Program to provide funding to organizations in Canada that serve women, with a focus on Indigenous women, women with disabilities, members of the 2SLGBTQI+ communities, and newcomer, Black, racialized, and migrant women
- \$14M over two years, starting in 2024-25, for the Department of Canadian Heritage to support the Building Communities Through Arts and Heritage Program
- \$25M, in 2024-25, to Employment and Social Development Canada for the Supporting Black Canadian Communities Initiative, for Black-led and Black-serving community organizations and their work of promoting inclusiveness
- \$10M over two years, beginning in 2023-24, to Employment and Social Development Canada to address the needs and barriers facing persons with disabilities through investing in capacity-building and community-level work of Canadian disability organizations

Despite these investments, the government declined to announce new investments for any international aid programs. [Compared to Budget 2022, the overall international assistance funding was cut by \\$1.3 billion – a 15% cut.](#) The decision by the government to cut foreign aid comes amidst a world facing multiple crises around climate change, hunger, conflict and an erosion of human rights and democratic values.

OTHER NOTABLE PROMISES

- \$21.5M to Employment and Social Development Canada to continue work on the future delivery of the Canada Disability Benefit, including engagement with the disability community and provinces and territories on the regulatory process
- \$25 million, in 2024-25, to Employment and Social Development Canada for the Supporting Black Canadian Communities Initiative, to continue empowering Black-led and Black-serving community organizations and the work they do to promote inclusiveness
- \$1.5 million over two years, starting in 2023-24, to the Privy Council Office to create a new Anti-Racism, Equity and Inclusion Secretariat to ensure that considerations of antiracism, equity and inclusion are applied in the development of federal government policies

- An additional \$4 billion, over seven years, starting in 2024-25, to implement a co-developed Urban, Rural, and Northern Indigenous Housing Strategy

Despite these announcements, many in the sector were disappointed to not see more progress in many critical areas, from [people with disabilities](#) to a [national school lunch program](#) to [affordable housing](#).

Conclusion

The geopolitical and economic climate of today is uncertain. Among Canada's immediate challenges are pervasive labour shortages, inflation, and fears of a recession. PFC believes that the government truly wants to build Canada's economic and social resilience in the face of this volatility. But to this end, continued policy development and investments must focus on ensuring a healthy and strong nonprofit and charitable sector, and working in greater partnership with philanthropy to achieve this goal. At a time when demand for services continues to rise and communities increasingly need the sector's support to fill gaps, it would behoove the government to pay greater attention.

It also underscores the need for greater collaboration and resources to support sector leaders and partners to advocate with policymakers on the issues that matter.