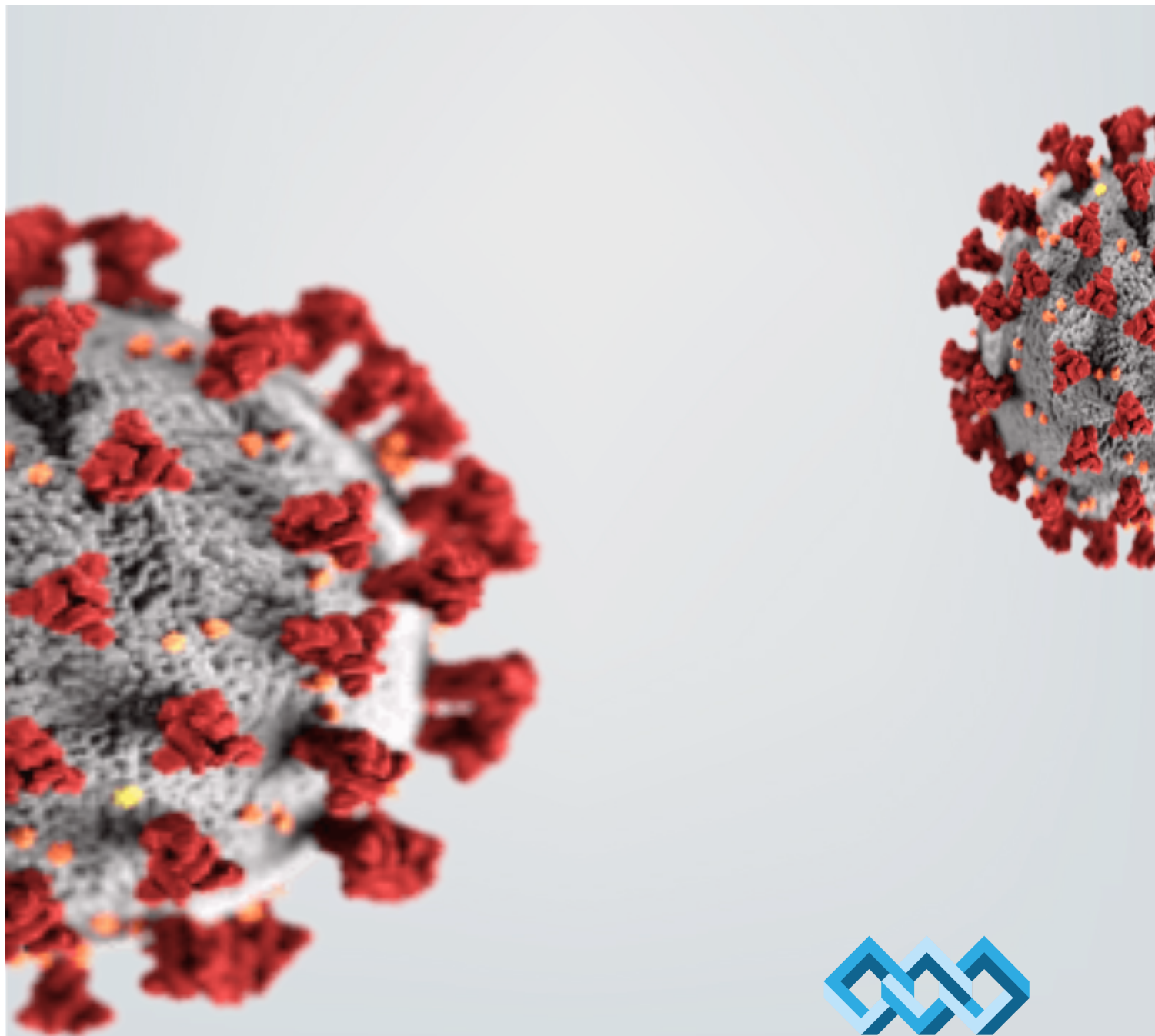


# L'Année PhiLanthropique The PhiLanthropic Year

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Hors-Série / Special Edition #1 | Mai / May 2020



**PhiLab**

Réseau Canadien de recherche partenariale sur la philanthropie  
Canadian Philanthropy Partnership Research Network

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ISBN:  
Dépôt légal - Bibliothèque et Archives nationales du Québec, Mai 2020  
Dépôt légal - Bibliothèque et Archives Canada, Mai 2020

# À propos du PhiLab | About PhiLab

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Le Réseau canadien de recherche partenariale sur la philanthropie (PhiLab), anciennement Laboratoire montréalais de recherche sur la philanthropie canadienne, a été pensé en 2014 dans le cadre de la conception de la demande de financement du projet développement de partenariat CRSH intitulé “Innovation sociale, changement sociétal et Fondations subventionnaires canadiennes”. Ce financement a été reconduit en 2018 sous le nom “Evaluation du rôle et des actions de fondations subventionnaires canadiennes en réponse à l’enjeu des inégalités sociales et des défis environnementaux”. Depuis ses débuts, le Réseau constitue un lieu de recherche, de partage d’information et de mobilisation des connaissances des fondations canadiennes. Des recherches conduites en partenariat permettent la coproduction de nouvelles connaissances dédiées à une diversité d’acteurs : des représentants gouvernementaux, des chercheurs universitaires, des représentants du secteur philanthropique et leurs organisations affiliées ou partenaires.

Le Réseau regroupe des chercheurs, des décideurs et des membres de la communauté philanthropique à travers le monde afin de partager des informations, des ressources et des idées.

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The Canadian network of partnership-oriented research on philanthropy (PhiLab), previously called the Montreal Research Laboratory on Canadian philanthropy, was thought up in 2014 as part of the conception of a funding request by the NRCC partnership development project called “Social innovation, social change, and Canadian Grantmaking Foundations”. From its beginning, the Network was a place for research, information exchange and mobilization of Canadian foundations’ knowledge. Research conducted in partnership allows for the co-production of new knowledge dedicated to a diversity of actors: government representatives, university researchers, representatives of the philanthropic sector and their affiliate organizations or partners.

The Network brings together researchers, decision-makers and members of the philanthropic community from around the world in order to share information, resources, and ideas.

## Prochaine publication

Next publication

Volume #2 en juin 2020 / June 2020



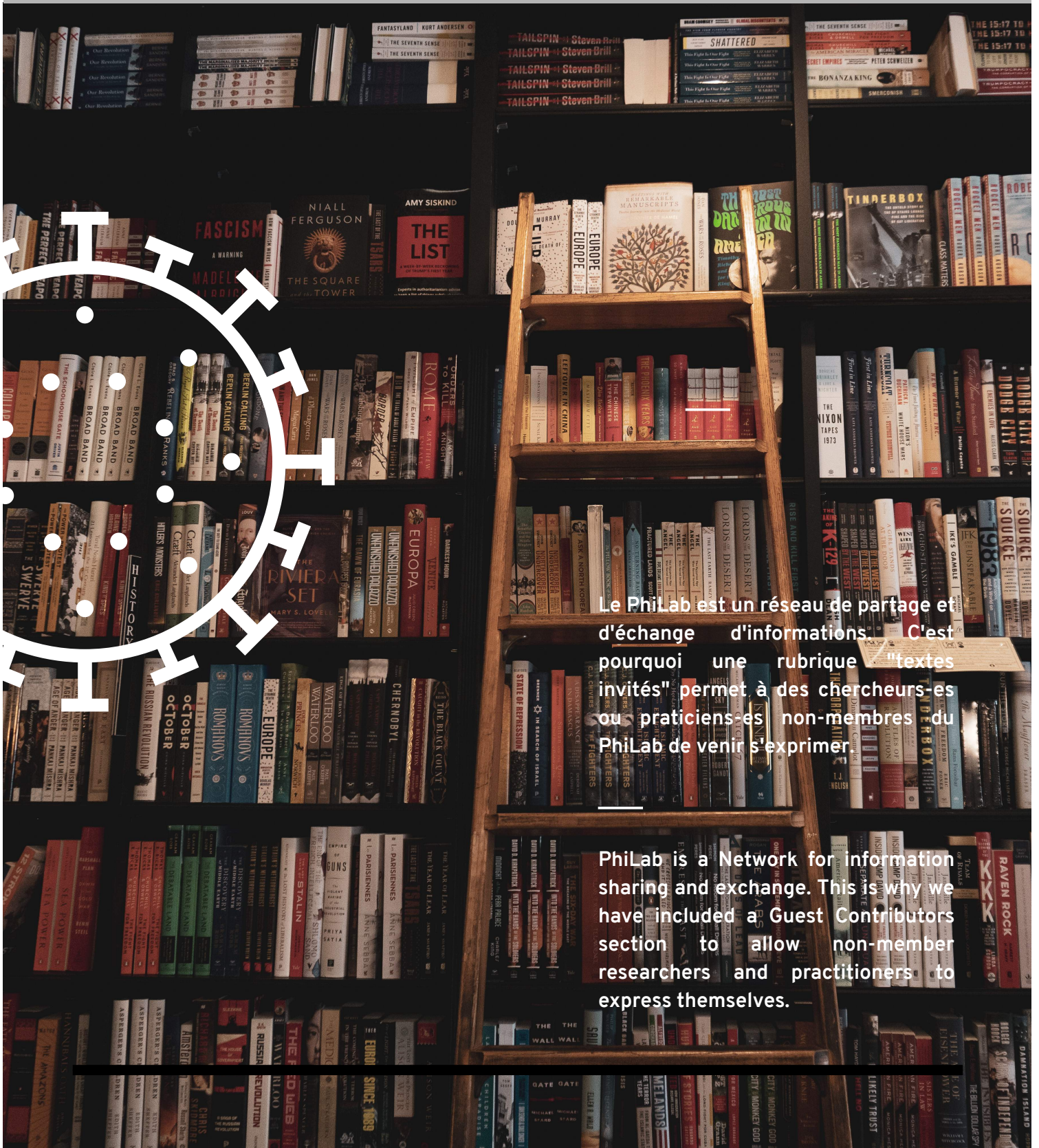
Social Sciences and Humanities  
Research Council of Canada

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Canada



# TEXTES D'INVITÉS | GUEST CONTRIBUTORS



Le Philab est un réseau de partage et d'échange d'informations. C'est pourquoi une rubrique "textes invités" permet à des chercheurs-es ou praticiens-es non-membres du Philab de venir s'exprimer.

Philab is a Network for information sharing and exchange. This is why we have included a Guest Contributors section to allow non-member researchers and practitioners to express themselves.



# GUEST CONTRIBUTORS

## *Philanthropy and COVID-19: The need to invest in non-profits' organisational capacity*



Par | By:  
**Axelle Marjolin**

**Axelle Marjolin** is a Scientia PhD scholar at UNSW Sydney. Her doctoral research seeks to progress current understandings of the factors that facilitate or hinder effective externally-supported capacity building in non-profit organisations. Axelle is also a casual Research Officer at the Centre for Social Impact, UNSW Sydney. She has over six years' experience in academic and applied research aimed at addressing social problems.

### Can COVID-19 have a positive effect on the non-profit sector?

The crisis is threatening the survival of many charities in Australia and around the world at a time their services are much needed. Government funding, a major source of revenue for Australian charities, is being stretched ever-further. Many non-profits' self-earned income and fundraising activities have been put on hold. Over 20% of the 1.3 million strong Australian non-profit workforce could lose their jobs [1].

In this dire situation, philanthropy, and particularly structured philanthropy – that is giving through foundations and trusts – has a critical role to play to enable non-profit organisations to carry on during this pandemic and beyond.



Although all philanthropic giving (including individual donations) currently contributes under 10% of the entire funding [2] to the non-profit sector in Australia, estimates of the assets controlled by structured philanthropic vehicles range from close to AU\$20 billion [3] to over AU\$33 [4] billion in assets. The legally mandated minimum annual distribution requirement is 4% for Public Ancillary Funds and 5% for Private Ancillary Funds. With most distributing close to the minimum level [5], this often leaves over 90% of their assets untouched, suggesting significant potential to do more.

Many foundations have already recognised that to effectively respond to this unprecedented situation, they need to support their grantees in an unprecedented way. Maintaining or increasing their budgets, easing funding restrictions, doing away with reporting requirements and working more closely and collaboratively with their grantees are some of the significant ways Australian foundations [6] are adapting their grant-making practices.

In this crisis, it is also important for foundations to direct some of their support to an oft overlooked area: non-profit organisational capacity.

Image: Kate Trifo

Capacity building refers to developing the organisational infrastructure (facilities, equipment and workplace operations); leadership and strategy; and staff knowledge and skills, to enable an organisation to better achieve its mission. The negative, and often unfounded, association of 'high' administration costs with low effectiveness in non-profit organisations has contributed to a resistance by funders to fund anything but program-related costs. While this 'bang for your buck' thinking might seem reasonable, in effect, it is quite short sighted as it does not acknowledge the infrastructure requirements to enable non-profits to operate effectively and efficiently. Gaps in organisational capacity hinder the ability of non-profit organisations (NPOs) to adapt to new and changing situations, and COVID-19 is making this point obvious.

Below are three examples of how COVID-19 is highlighting the need to invest in non-profits' organisational capacity in Australia.

#### **The need to do more...**

It is estimated that between 14% to 26% of Australian workers could lose their job as a result of COVID-19 closures, doubling or more the current unemployment rate of 5.2% [7]. The unemployment rate in Australia has not been in the double digits since 1994.

With lower-income workers twice as likely to lose their job than higher-income workers, demand for non-profit services can be expected to rise, in spite of government stepping in. The Government's Job Keeper [8] initiative is providing many with essential financial support. But the reality is that many, such as casual workers and temporary migrants including asylum seekers and international students, are missing out and will need assistance. The measures are also temporary, leaving a question mark as to what happens once the budgeted 6 months elapse. Foodbanks [9], mental health support [10], and organisations helping individuals and families affected by domestic violence [11] are already experiencing an increase in demand for their services and bracing themselves to face a growing level of need with already stretched resources.

A recent survey of Australia's community organisations [12] revealed that even prior to the crisis, many were struggling to meet the demand for their services. Not being able to access the necessary services has both immediate and long term effects.

Unmet demand often contributes to creating further support needs relating to physical and mental health and wellbeing, debt, housing, violence, poverty and the law. As a result, unless the service delivery capacity of non-profit organisations is urgently improved, COVID-19 is likely to worsen and extend the support needs of already vulnerable and disadvantaged groups.

#### **... with less**

COVID-19 is not only increasing the demand for social and human services as seen above, it is also reducing non-profit organisations' access to resources. Due to job loss, individuals have a reduced capacity to give. Social distancing measures are hindering access to volunteers, limiting the ability to hold fundraising events, and in some instances, maintain self-earned income sources. The downturn in the stockmarket will also affect non-profit organisations' investment portfolios, as well as reduce the earnings of philanthropic entities. Australian non-profits are expecting a fall in fundraising income in excess of 20% in the coming months [13]. Many non-profit organisations do not have (significant) financial reserves [14] and they also have limited access to other sources of capital. While the government is expanding funding for critical support and emergency services [15], these additional funds are typically being directed towards large and established non-profit organisations'. For smaller charities, COVID-19 is seen as a threat to the very survival of their organisation. With a global recession looming [16], it is likely that non-profit organisations funding sources will be further impacted. Non-profit organisations are being urged to think about what comes next. But at a time where they are focused on ensuring service provision, looking after their employees and volunteers, and maintaining donor relationships, there might be little energy or resources left to do so.

***Unless the service delivery capacity of non-profit organisations is urgently improved, COVID-19 is likely to worsen and extend the support needs of already vulnerable and disadvantaged groups.***

Providing support, financial or otherwise, dedicated to enabling them to develop longer-term strategies for business continuity and recovery can provide some relief without diverting crucial resources away from their immediate needs.

### **Creating and adapting to a new 'normal'**

As social distancing measures are relaxed, many are expecting things to go back to how they were. But change is already underway and the 'normal' we are going to will likely be different to what was. Organisations, including non-profits, that have made changes in how they operate will have to decide which ones to hang on to, what further transformations are necessary and their associated costs. COVID-19 has shined a light on the many weaknesses of our systems and presents us with an opportunity for change, to do better. Prior to the pandemic, Australian non-profit organisations' top 5 capacity development needs [17] were IT development, fundraising, leadership support, communications and media relations, and strategic planning. These functions are even more critical now and ensuring they are fostered will not only help non-profit organisations through the COVID-19 crisis, but enable them to more effectively and efficiently deliver their programs and services in the future.

### **Reconsidering investing in non-profit organisational capacity**

To some extent, Australia has been able to resist equating non-profits' impact with level of spending on administration costs [18] – a line of thinking that seems to be promoted in other countries like the United States [19]. Still, a recent survey of Australian philanthropic practices revealed that approximately half of the 50 funders surveyed rated capacity building as a low priority [20], preferring instead to focus on program funding.

There are still unknowns when it comes to understanding the relative and absolute effectiveness of particular capacity building initiatives in non-profit organisations, and how these affect the outcomes of the people they serve. My own doctoral research is concerned with analysing the interdependence between the outcomes achieved through capacity

building interventions, and the power structures in which they are embedded. It is important that researchers track and assess capacity developments so we know what kinds of effects they have and why. But outstanding questions do not take away from the fact that non-profit organisations need greater capacity, particularly now.

Philanthropy has the means and scope to quickly improve the ways they provide support to non-profit organisations. Many also have the necessary skills and access to networks that can support non-profit organisations to think through critical strategic business decisions. By investing in organisational capacity, foundations can not only help non-profits' survive the COVID-19 crisis, but also equip them with the means to tackle future crises.

Then COVID-19 would have had a positive impact on the non-profit sector. ■



Image: Kate Trifo

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