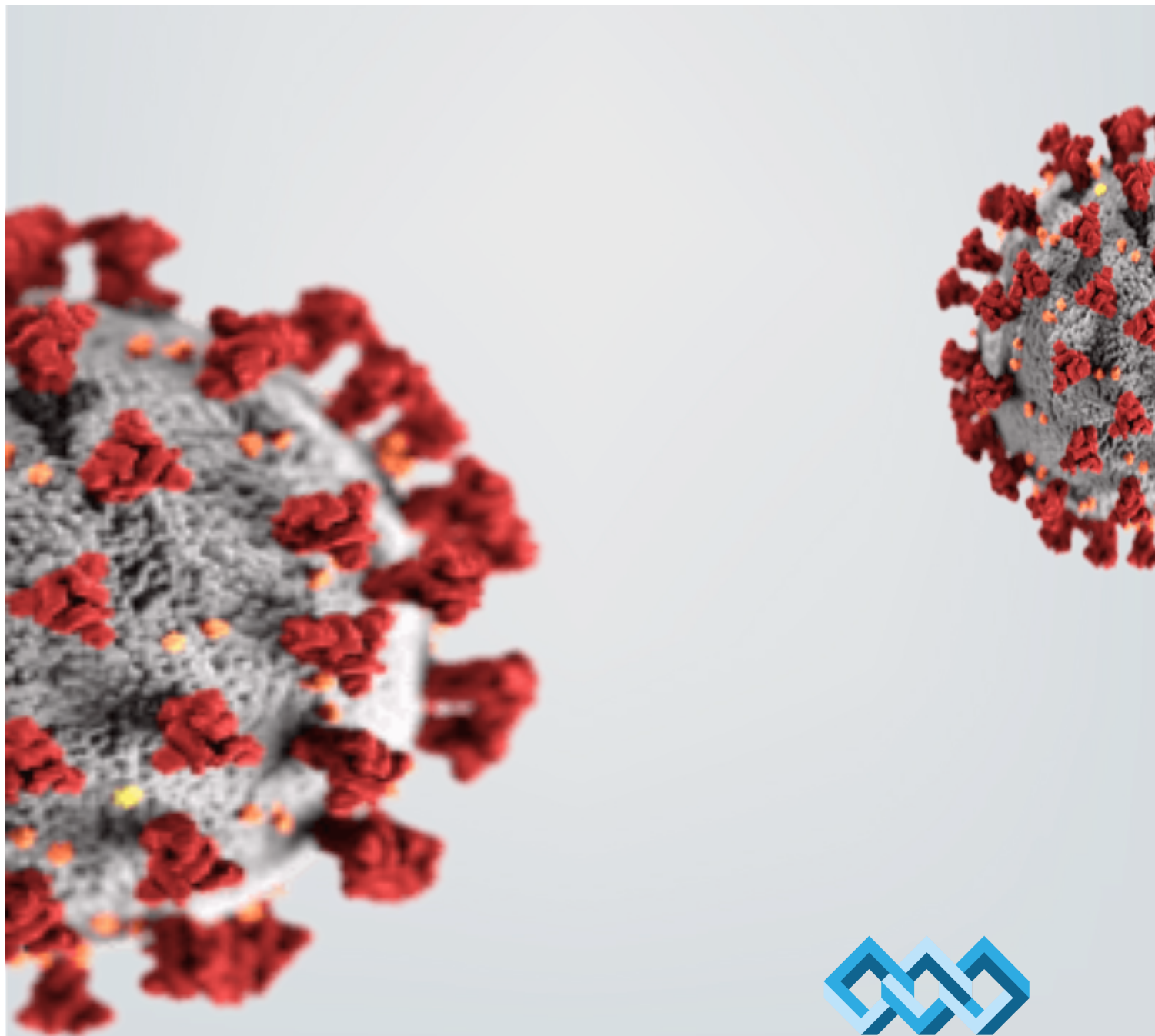


# L'Année PhiLanthropique The PhiLanthropic Year

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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



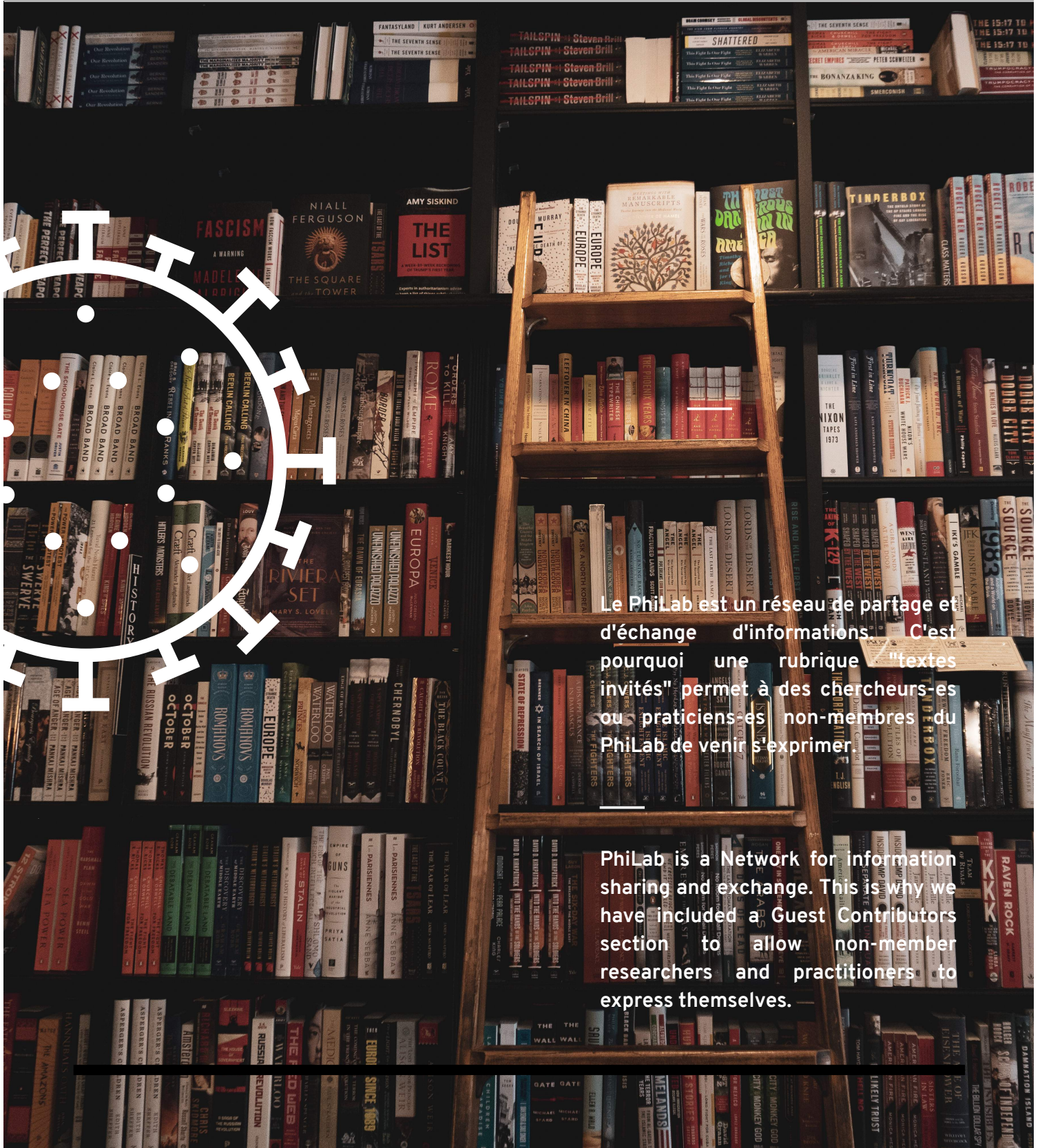
Social Sciences and Humanities  
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Canada



# 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

## *The Government- Nonprofit Sector Relationship post- COVID 19: An Opportunity for Reform?*



Par | By:  
Hilary Pearson

*Présidente de Fondations Philanthropiques Canada de 2001 à 2019, Hilary Pearson a été la PDG fondatrice d'un réseau pancanadien de fondations incluant plusieurs qui sont parmi les plus grandes fondations au pays. Ce réseau est maintenant une des plus importantes dans le secteur de la philanthropie institutionnelle. Consultante et auteure de nombreuses articles et mémoires au sujet des tendances de la philanthropie au Canada, Madame Pearson est souvent conférencière et paneliste. Mme Pearson siège au conseil d'administration de nombreux organismes sans but lucratif incluant CARE Canada, Indspire et la fondation KBF Canada. Diplômée en économie politique à l'Université de Toronto, Madame Pearson a obtenu des doctorats honorifiques de Carleton University et de l'université de Nouveau Brunswick. Elle a été nommée au sein de l'Ordre du Canada en juillet 2018.*

The COVID 19 pandemic is still in its early days although the health and economic damages that it has created have already been enormous. Canadian philanthropy and the non-profit sector have been hit as hard as any other sector, and the impacts over the longer-term will be profound. While many will be painful, there will also be some that are positive, if the opportunity is seized for reform. Among the changes we can expect and, if we are proactive, we can potentially shape, will be reforms in the relationship between the non-profit and public sectors. In this article I want to focus in particular on what that relationship might look like post-COVID 19.



We are seeing references now to the “new normal” in the non-profit sector. I am cautious about using the word “normal” in any way to describe what we are going through, but at least at this stage of the pandemic, the “new normal” for the sector seems to have the following characteristics:

- Major revenue decreases, particularly in earned income and to a lesser degree in philanthropic donation revenue
- Challenges in staff and volunteer management, as people struggle to adjust to working in isolation or with restrictions
- Gaps in capital and technological infrastructure for organizations, as the lack of financial reserves and underinvestment in digitization hit them hard
- All resulting in a significant reduction in ability to pursue mission

The impacts are being felt differently across the sector given differing patterns of revenue and differing areas of service. A performing arts organization will suffer a catastrophic level of revenue loss and be unable to deliver on its core mission of artistic creation in front of a live audience.

Image: Charles Deluio

But the pandemic has a long way to go. Over time, most nonprofits are going to struggle with drops in revenue. Financial reserves, if there were any in the first place, will have been used up. As financial markets hit further bumps, charitable endowments (whether held by institutional foundations, public foundations or private foundations) are going to decrease in value. Earned income will be difficult to regain. And fundraising will have to change, as event-based and in person appeals are replaced by digital campaigns and mail solicitations. Inevitably there will be mergers, or outright closings, particularly of smaller and more vulnerable organizations.

What does this mean for the sector in the medium term, beyond 2020? Organizational resilience, adaptiveness and nimbleness will determine the course of individual nonprofits and of the sector as a whole. If dependent on fundraising, an organization will need to rethink its model and adapt to new methods and ways of reaching the market. If dependent on face to face delivery of services, an organization will have to rethink how much can be delivered or accessed digitally. If dependent on volunteers, an organization will need either to reduce programs or streamline them. If dependent on agents in other communities, an organization will need to rely more on due diligence and financial controls that can be maintained remotely.

Much of this rethinking can be done internally, if painfully. But some requirements are external. I see these requirements as capital, data and regulation. And now we come to the public sector, or governments.

New non-profit operating models will require infrastructure investments and injections of capital. This new infrastructure investment can certainly come from government in the form of grants, loans or some combination. In particular, government could be a critical investor in technology infrastructure that will permit more digitization. Data will be another critical input to changed operations. Nonprofits need to understand what is happening in terms of philanthropic funding flows, shifts in staffing and volunteer engagement, trends in re-organization or mergers etc. Government, especially at the federal level with the Canada Revenue Agency, is the only source of comprehensive data on trends related to the registered charity sector, and could do much to

collect, aggregate and disseminate this valuable resource. Finally, the issue of regulation. Both the federal and provincial governments are important regulators of the non-profit sector. Corporate and tax-related regulations shape the work of many nonprofits, including charities. How can these regulations be changed, if need be, to support the greater resilience and flexibility needed by the non-profit sector? More specifically, can we see the possibility of accelerated reform in the regulations affecting the charitable sector, many of which are derived from the federal Income Tax Act (ITA)?

As we know from the work of the Senate Special Committee on the Charitable Sector in 2019, the ITA and its related regulations impose many constraints on charities. These have to do with how charities interact with non-charities and how charities are able to earn revenue. Charitable foundations can only make grants to qualified donees (in almost all cases other Canadian charities). To transfer funds to non-charities, charities must comply with onerous operational controls and reporting requirements. Charities cannot earn income directly from a business operation, even if this revenue is dedicated exclusively to a charitable purpose. Why should government consider changing these rules? Because it relies heavily on the sector to achieve public goals. Both charities and nonprofits work with governments as contractors and partners to deliver targeted services, connect to local communities, and deliver global programming. Yet the federal regulatory system works in ways that constrain their ability to innovate and collaborate, operate nimbly and sustainably, and take calculated risks. Without a coherent and up to date regulatory framework, we are limiting our impact and our aspirations as a society.

***Organizational resilience, adaptiveness and nimbleness will determine the course of individual nonprofits and of the sector as a whole***

The COVID 19 crisis has brought the cost of these constraints into much sharper relief. In these early months of the economic shutdown, foundations have been called on to disburse more funds more quickly to more organizations. Charities have had to work with non-charities to get funds into the hands of those in growing need. International development organizations have had to rethink managing relationships across borders without physical presence or direct supervision. The rules that prevent charities from granting to non-charities and that impose direction and control requirements have been particularly frustrating. Emergency response requires speed and creativity. For example, in the case of the Fort McMurray fire in 2016, the Red Cross, a charity, worked closely with Canadian banks to use their technology and systems to get cash quickly into the hands of Fort McMurray residents displaced by the fire. Charities and non-charities working together for a charitable purpose on shared technology platforms should be made easier not only in emergencies. Similarly, a charity such as Oxfam or CARE should be able to work remotely with an organization in Africa during the pandemic without having to negotiate a time consuming detailed operational plan with specific actions, steps and milestones. Financial accountability will always be important, and any prudent charity would ensure that this accountability is pursued. But in an urgent situation, there is no time to make and supervise a detailed operational plan. Charities need more flexibility and an indication from the government that certain reasonable risks are acceptable.

As the pandemic continues, the need for clarity from the CRA in managing fundraising, in how to raise urgently needed income, or in how to work more flexibly with non-charities will become clearer and clearer. This will be on the table of the Advisory Committee on the Charitable Sector for consideration. More broadly, in my view, we should be considering a wide-ranging reform agenda which includes rethinking the definition of charitable purposes and the relationships among charities, social enterprises, other nonprofits, and businesses, particularly in cross-sectoral work on projects for public good. If the COVID 19 crisis provokes that reconsideration, it will have had a positive impact on the project to update the relationship between government and the non-profit sector for the 21st century. ■



Image: Martin Sanchez