



PhiLab

RÉSEAU CANADIEN
DE RECHERCHE PARTENARIALE
SUR LA PHILANTHROPIE

Pledge to GIVE5 September 2020

Isidora G. Sidorovska University of Waterloo

The focus of this report is the GIVE5 initiative, a campaign that aims to increase the total disbursement of charitable funds by Canadian foundations in response to the COVID-19 outbreak. It is based on a conversation with Bill Young, CEO of Social Capital Partners and the Bealight Foundation, as well as one of the initiators and members of the steering committee of the GIVE5 pledge. The case study also consulted relevant documents provided by our interviewee, and screened the GIVE5 web page, webinar and relevant social media activity around the initiative.

This report also draws on a conversation with Nancy Pole, Network Coordinator at the Collectif des fondations québécoises contre les inégalités, to complement our understanding on the uptake of this initiative in Quebec. Both conversations were conducted in late May 2020.

The report is organized into two sections. The first section provides a summary of the GIVE5 initiative and the rationale behind the campaign. Part two offers a brief discussion and analysis of its immediate outcomes and some of the larger conversations it has contributed to.

Description and Rationale of the Initiative

GIVE5 is an initiative among Canadian private and community foundations that have pledged to give at least 5% of their assets through charitable grants this year in response to the COVID-19 pandemic. It was organized as part of Giving Tuesday Now, a global movement for giving and volunteering, which was coordinated to support giving for COVID-19. The GIVE5 initiative aimed to have at least 100 Canadian foundations join the movement during the first week of May 2020. By the end of September 2020, a total of 69 foundations had signed the pledge. However, the campaign remains active and foundations are still able to sign up and take part.



Background and Rationale

The GIVE5 initiative is based on the recognition that the current crisis has had an immense impact on communities, especially on Canada's most vulnerable populations, with record high unemployment and growing food insecurity, as well as housing and mental health challenges. These mounting issues have increased demand on a charitable sector that is already struggling. At the same time, Imagine Canada has predicted a drop between \$4.2 billion and \$6.2 billion in charitable giving. This means that local community organizations face increased demand for services while encountering a substantial decline in financial support. The rationale behind the GIVE5 initiative is that it is necessary for the philanthropic community to attempt to balance out this loss in revenue by increasing their disbursement in response to the crisis.

The Income Tax Act requires Canadian foundations to disburse at least 3.5% of their assets to charitable purposes annually. This quota has steadily decreased from 5% in 1975, to 4.5% in 1984, to the current amount of 3.5% which was set in 2004.

According to calculations done by the GIVE5 steering committee, if each foundation in Canada were to step up and give 5%, it would result in an additional CAN\$700 million streamed to the charitable sector this year. That would represent a 42% increase over what the government mandates. While this amount does not come close to the predicted drop in revenue, it nevertheless signifies an important difference in the ability of the charitable sector to navigate the current crisis.

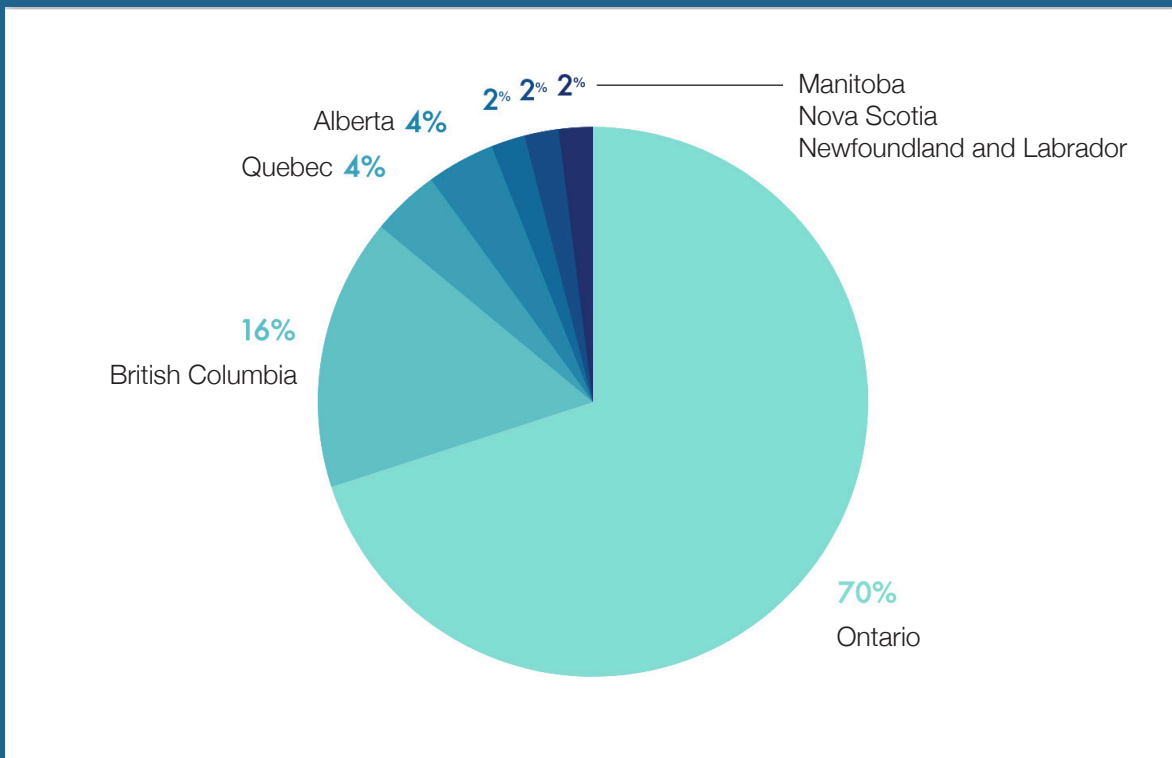
Discussion

The GIVE5 initiative has contributed to an ongoing conversation regarding what the disbursement quota should be, along with the question of foundation perpetuity, as well as how the totality of foundation assets can be put to better use for society. Another interesting aspect of the GIVE5 is the relative geographical concentration of its signatories, as foundations across Ontario seem to be prevalent in committing to the pledge. In this section we briefly review these aspects of this initiative.

1. Geographical Concentration

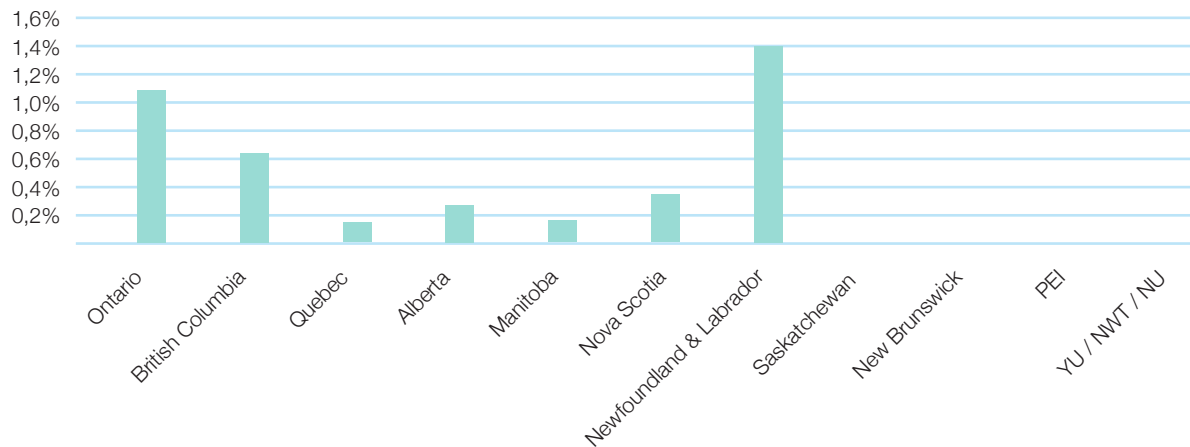
While GIVE5 is a pan-Canadian campaign, nearly 70% of its signatories are based in Ontario and about 16% are based in British Columbia. This leaves about 4.5% of signatories from each of Quebec and Alberta, and one signatory from Manitoba, Newfoundland and Labrador, and Nova Scotia each.

Geographical Concentration of GIVE5 Signatories



Even when compared to the total number of private and community foundations per province, Ontario sustains the second-highest rate of uptake, which is almost double the rate of British Columbia, four times the rate of Alberta, and about 7 times the uptake in Manitoba and Quebec. It is worth noting however, that with only one signatory of the GIVE5 pledge, Newfoundland & Labrador have the greatest rate of uptake among all provinces.

GIVE5 Signatories vs. Number of Private and Community of Foundations Per Province



Why has there been a bigger support for the initiative among Ontario-based foundations as opposed to the rest of the country?

Nancy Pole, Network Coordinator at the Collectif des fondations québécoises contre les inégalités (an open network of private and public foundations based in Quebec), notes that there are several aspects that demand further examination to understand the lesser degree of acceptance of the initiative in some parts of Canada. These include how effectively the information was spread across different regions of the country, but also the existence of previous conversations and agreements among foundations that would allow for a more rapid response in some provinces. She also notes that different regions may have approached the question of payout rates from different perspectives, or may find themselves at a different point in the process of engaging with the issue. For example, the Collectif had previously undertaken its own process of examining the payout rates as part of a larger reflection on foundations' fiscal privileges and responsibilities, that has led its members to align with a range of different positions.

In addition, some foundations have acted in 2020 to increase their payout rate to 5% and more in response to the COVID-19, but without necessarily signing the GIVE5 pledge. An example of this is the Lucie and André Chagnon Foundation from Quebec, which raised its granting commitment from \$350 million to \$500 during the next 5-year period, without explicitly joining the GIVE5 campaign.

Pole also adds that the actual ability of foundations to increase their giving might differ based on various foundation traits, including size. While bigger foundations may be able to make this commitment in the wake of the current crisis, smaller foundations may have held back during much of the year, waiting to see whether their small endowments would weather the stock market shock that presented early on.



2. Disbursement Quota

The last adjustment of the quota established in 2004 by the federal government was meant to reflect market rates of return on investment at the time thus allowing foundations to sustain long-term charitable giving without spending down their endowments. Yet, in the past 10 years, foundations have noted an average 10% financial return, an amount substantially over the current requirement, suggesting that an increase of the current threshold would not mean spending away foundation endowments. On the other hand, the 3.5% threshold has supported growing endowments, which subsequently allows foundations to ensure long-term contributions to social causes.

Critiques of the idea of foundations existing in perpetuity ask whether ensuring the ability of foundations to disburse grants over the longer term does not mean sacrificing the social impact that they can have today if they were to invest greater amounts to tackle current problems. For example, Boggild argues that it is more effective to invest in complex social issues early on, rather than sustaining endow-

ments to ensure long-term limited investments which essentially allow the issue to continue developing in the future. Malcom Burrows, one of the initiators of GIVE5, worries that “capital growth and foundation longevity have been given precedence over increasing immediate grants to charities”.

The issue of spending down versus perpetuity was also discussed among members of the Collectif des fondations. In addition to the arguments weighing short-term urgency against capacity to act over the longer term, the question was framed as a matter of justice: specifically, fiscal justice towards the generation that provides the initial tax subsidy, versus a form of intergenerational justice that could be afforded by longer-term endowment.

Finally, some data suggests that many foundations already disburse more than the minimum threshold. Boggild notes that when looking at the largest grant-makers in Canada, charitable grants have averaged at least 6% per year, which is well over the legal requirement. However, regulatory requirements are what sets the expectations and standard, and more research is needed to establish where individual foundations are on this scale.

3. The Totality of Philanthropic Assets

Finally, conversations surrounding the GIVE5 initiative also raise the question of what is being done with the totality of philanthropic assets and whether they can be put to better use for society. Young believes that foundations offer a bad deal for society. They are being given tremendous tax incentives to ensure only marginal charity donations of 3.5%. He finds Canadian tax laws among the most generous in the world. They allow foundations to use the

rest of their assets however they see fit, without insisting that the totality of philanthropic assets be invested in projects with a social impact, as opposed to traditional investments. A similar question was raised by The Circle on Philanthropy and Aboriginal Peoples in Canada. In mid-May this year, CEO Kris Archie started a virtual campaign on the #Other95, challenging people to share creative ideas regarding how the rest of philanthropic assets can be put to better use. While the campaign achieved limited duration and response, it did not go unnoticed in the philanthropic community.

Conclusion

COVID-19 crisis within our communities and the charitable sector in Canada. It is based on the understanding that foundations hold a key responsibility to ensure that Canada's public benefit organizations receive support as they face increased demand for their services alongside a notable decline in donations and fundraising revenue.

So far, the campaign has not succeeded in achieving its target of 100 foundations taking up the pledge; it has nevertheless managed to gain the support of almost 70 foundations, and secure an additional flow of CAN\$21.5 million to the charitable community.

Yet, the rationale behind the GIVE5 goes beyond immediate funding, as its initiators hope that it will also spark a public conversation around the policies that regulate foundations and foundation giving. These questions warrant additional study of the giving practices of Canada's foundations as well as a more comprehensive analysis of the short and long-term social impact of different operating models and approaches.



Acknowledgements

Earlier versions of this report have benefited from insightful comments and suggestions made by Adam Saifer, UQAM. The report is part of a PhiLab study on COVID-19 responses in Canada's Philanthropic Community led by Jean-Marc Fontan, UQAM and Manuel Litalien, Nipissing University.