

Election 2021: Imagine Canada's Policy Priorities for the Nonprofit Sector



There is clear consensus that people want better conditions for themselves and their communities coming out of the pandemic than they knew previously. With the many challenges the country faces in the coming decade, achieving an improved normal will be a steep, uphill battle. To seize this moment of transition, decision-makers both inside and outside of government need to fundamentally shift how we engage people, support communities, and develop public policy.

The reality that much of the country wants to leave behind was made possible through the values of constant growth, competition, and self-interest. The last 18 months has revealed to us that relationships, equality, and wellbeing are what is essential, and these may be the building blocks toward the rebuild and future we aspire to.

Individuals are touched by nonprofits and charities every day, and the government has long relied on organizations to deliver on federal priorities. But the strength and value of the sector - as a sector - truly became visible to the public and government during the pandemic. While most businesses were forced to close, many tens of thousands of organizations worked beyond their capacity to meet needs. People gained a sense of what life would be like without performing arts, sports, camps and cultural institutions. We faced our critical need for health and mental health services, quality child and long term care. The precious importance of nature conservation, food security, seniors' support and spiritual institutions is now evident.

Everything we know about complex systems change tells us that relationships of mutual influence and trust are required if we are to adapt to challenging circumstances and address problems with efficiency, sustainability and effectiveness. Our policy priorities in this election emphasize the importance of relationships: between the government and the sector, between government and communities, and between charities and non-charities.

The federal government requires the nonprofit sector now more than ever. And the nonprofit sector, along with the communities we work with, needs government to provide the conditions necessary to operate at our full potential.

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Priority #1: Engage strategically with the nonprofit and charitable sector

Prescriptive decision-making on public policy that affects the nonprofit sector and the communities we work with, but is made without the expertise of nonprofit organizations, will continue to lead to problems. At best, these include missed opportunities and government scandal, and at worst, we can expect communities that are underserved and federal governance priorities that fail to meet expectations.

For a better future to be realized, we need a home in government -- an entity responsible for maintaining our relationship and ensuring our two sectors work together effectively. A permanent body that has the ability to coordinate nonprofit sector policy across departments and jurisdictions, works to maintain our sector's health and capacity, identifies required data about the sector, and understands its incredible workforce and volunteer base would provide a strong foundation for an intentional, working partnership.

Organizations from equity-seeking communities face particular challenges and barriers, including anti-Black racism, anti-Indigenous racism, Islamophobia and other forms of inequity, and serve communities with unique needs. A one-size-fits-all approach will not be appropriate to deal with a sector as diverse as ours. This context further emphasizes the need for an entity that can engage with the nonprofit sector in an intentional, nuanced and meaningful way.

The lack of an internal advocate within government has meant that currently, and for the past decade, Statistics Canada has no mandate to collect and release even very basic data on our country's nonprofit sector. The federal government must commit to knowing key information about its critical partner in service delivery and maintenance of quality of life.

We would like to see that policymakers:

1. Set the conditions required to engage strategically with our sector. The creation of a "home" for the nonprofit sector within the machinery of government is a critical first step.
2. Take an equity approach to this recommendation, engaging directly with organizations from equity-deserving communities to understand and address the specific challenges that they are facing.

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Priority #2: Unleash our potential through funding reform

Decades ago, the government provided core funding to many organizations, covering costs such as rent, communications, fundraising, technology, benefits, evaluation, reporting, insurance, software, and training, all of which are essential to delivering quality programs. These were government investments in community - supporting local employment and respecting organizations' ability to devise local solutions. Over the past several years, core funding opportunities have become replaced by short term project-based funding with specific predetermined outcomes.

What is more, the funding of these projects often fail to cover the full cost of program delivery. This has led to what is known as a 'starvation cycle', where organizations are reliant on short term funding that doesn't cover core costs and as a result face a chronic under-investment in key operational areas. The constant pursuit for project funding distracts from purpose and mission attainment, limiting the ability to innovate, improve quality of core programs or invest in staff, long-term initiatives and organizational health. This can severely hinder an organization's ability to support its community.

The absence of stable core funding also has an impact on decent work for the sector's workforce of 2.4 million people, the majority of whom are women (77%). Too many of the jobs in the sector are precarious, low-wage, and offer few benefits as a direct result of the way our organizations are funded.

The pandemic severely impacted sources of unrestricted core funding (mainly donations and earned income). Unfortunately, a lack of core funding inhibits organizational resilience and the ability to respond and adapt in times of crisis. This has impacted many organizations' preparedness to withstand pandemic pressures.

There is strong evidence that organizations from equity-deserving communities face particular challenges in accessing funding. For instance, recent reports examined structural reasons that mean funding for the women's sector is lower than other parts of the nonprofit sector and how Black-led and Black-serving organizations are dramatically underfunded. The government can start to reverse these trends through the provision of strategic core funding.

This coming mandate, the government needs to:

1. Recognize the importance of core funding for sector organizations by shifting from an exclusive policy focus on short-term project funding. An equity approach to this recommendation would see that specific funding gaps faced by organizations from equity-deserving communities be addressed.
2. Ensure that departments and agencies cover the full administrative costs associated with delivering the services being funded through federal grants.
3. Build on the Community Service Recovery Fund as a developmental program, and top up the current iteration by an additional \$300 million.

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Priority #3: Enable equitable partnerships to better serve communities

Strong working relationships across sectors and networks of actors will support a sustainable rebuild for communities. Particularly during periods of crisis, where new needs can emerge, it becomes clear that charities do not exist everywhere there is need for services.

Under current rules, charities cannot deliver funds to non-charities unless they enter into an agreement whereby they exercise “direction and control” over the operations of their non-charity partner, creating a burdensome and paternalistic barrier to partnerships. With these rules, Canada is unique among other nations. The charitable sector is hindered in its ability to partner and direct funds in support of the country’s reconciliation agenda and international development assistance policy.

Many organizations doing critical work in communities are not qualified donees, so “direction and control” requirements make it more difficult for funding to flow to equity-seeking communities.

We recommend that:

The federal government works with the sector to reform the existing rules on qualified donees and direction and control so that public and charitable funds continue to be protected, but in a way that allows organizations to respond more effectively to community interests.