IMAGINE CANADA

Written Submission for the Pre-Budget Consultations in Advance of the Fall 2025 Budget

Imagine Canada

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Recommendations

Recommendation 1-2: Reduce administrative burden on nonprofits by:

a. Adopting a 'one partner, one profile' approach to eliminate redundant reporting between nonprofits and federal funders.

b. Funding nonprofits through grants rather than contributions

Recommendation 3: Facilitate the sustainability and growth of the nonprofit sector by breaking down silos and redeploying staff to create a dedicated unit within the federal government.

Recommendation 4-5: Provide Statistics Canada with clear direction to improve nonprofit sector data collection through the creation of a nonprofit unit within the agency, regular updates to the national survey of nonprofits, improvements to existing data collection programs and by maintaining existing nonprofit data products.

Recommendation 6-8: Enable the co-development of digital tools and AI solutions in the nonprofit sector by incentivizing partnerships between nonprofits, think tanks, universities, government and the private sector.

Recommendation 9-10: Co-develop a Federal Labour Force Strategy for the Nonprofit Sector.

Across Canada, nonprofits are key contributors to economic growth and social well-being. They provide vital services such as settlement support for immigrants and refugees, as well as job training and skill-building programs that help Canadians thrive. Each year, the nonprofit sector contributes $226 billion to Canada's economy, representing 8.2% of the country's GDP. In addition, 13 million volunteers dedicate nearly 1.2 billion hours annually to building stronger communities - equivalent to 714,000 full-time jobs.

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The nonprofit sector also plays a significant role in attracting diverse, world-class talent. It is one of the largest employers in the country, with over 2.7 million workers - more than retail trade (1.94 million), construction (0.85 million), and manufacturing (0.83 million)- three of the largest for-profit industries. Compared to other sectors, nonprofit sector workers are more likely to be women, have higher levels of education and be racialized.

In today's challenging economic landscape, many Canadian households rely on the nonprofit sector to ease financial pressures and improve affordability. In 2024, nearly half (45%) of Canadians reported that rising prices were greatly affecting their ability to meet daily expenses. During this time, increasing numbers turned to nonprofit programs and services to maintain their well-being. For example, in 2024, there were over 2 million monthly visits to food banks- the highest number ever recorded. As costs continue to rise, this strain will extend beyond food banks to services such as shelters, childcare centres, and job-readiness programs.

Despite the sector's critical contributions to a resilient Canadian economy, the affordability crisis and inflation have led to a sharp decline in donations. PwC recently released a report projecting a $126 million drop in the sector's GDP contribution due to the impact of U.S. tariffs. Combined with an expected $100 million decline in charitable giving by 2026, this economic pressure underscores the urgent need for the federal government to recognize and support the vital role nonprofits play in Canadian society.

Recommendation 1-2: Reduce administrative burden when funding nonprofits

The nonprofit sector is an important partner in delivering programs and services that help build strong, resilient communities across Canada. However, this relationship is often hindered by outdated funding models and rigid restrictions that limit the sector's ability to meet community needs. Key challenges include excessive administrative burdens, long wait times, and risk assessment and management practices that are inaccurate and overly onerous. These issues have been well-documented in reports such as the Independent Blue Ribbon Panel and the Special Senate Committee on the Charitable Sector.

Improving the regulatory environment used to fund nonprofits could reduce costs, improve return on investment, and foster accountability without cutting the vital supports people rely on. As the

government seeks to [review regulations to reduce red tape](#), it should work with the nonprofit sector to ensure that changes don't compromise the delivery of programs and services.

To support these reforms, we urge the government to implement the following changes to help improve the federal funding environment.

Recommendations
1. *Reduce administrative burden on nonprofits by:*
   a. *Adopting a 'one partner, one profile' approach to eliminate redundant reporting between nonprofits and federal funders.*
   b. *Funding nonprofits through grants rather than contributions*
2. *Make federal funding more reliable and responsive by:*
   a. *Allowing flexibility in how nonprofits move funds between budget lines to reduce administrative burden, support adaptive delivery, and enable better outcomes.*
   b. *Favouring longer funding terms and reducing wait times for funding approvals.*

Recommendation 3: Strengthen the Relationship Between the Federal Government and the Nonprofit Sector

For many years, the nonprofit sector has advocated for the federal government to establish a designated ministry, department or secretariat to the nonprofit sector to facilitate continuous improvement to the sector's economic landscape and policy environment. During the most recent election, the Liberal Party of Canada [made a commitment](#) to meet with representatives from the charitable and nonprofit sector. We are eager to engage with the government to ensure this promise is fulfilled.

A dedicated unit to support and facilitate our sustainability and growth could:
- **Enhance cross-government collaboration:** Streamlining communication and coordination on issues affecting nonprofits and charities to avoid duplication and improve outcomes.
- **Foster innovation and accountability:** Ensuring public policy supports a robust, efficient, and results-driven nonprofit sector, maximizing the impact of every dollar spent.
- **Leverage data for smarter decisionmaking:** Collecting and sharing high-quality, accessible data about the nonprofit sector to inform evidence-based policymaking and resource allocation.
- **Advocate for cost-effective policies:** Acting as an internal champion for the nonprofit sector, ensuring that policy decisions consider their impact on charities and nonprofits, and preventing costly unintended consequences.
- **Address systemic inequalities:** Tackling inequities within the sector that fall under federal jurisdiction to create a fairer and more effective nonprofit landscape.

Recommendations

3. *Facilitate the sustainability and growth of the nonprofit sector by breaking down silos and redeploying staff to create a dedicated unit within the federal government.*

Recommendation 4-5: Provide Statistics Canada with clear direction to improve nonprofit sector data collection

Access to high-quality, disaggregated data is essential for the nonprofit sector, but also for the government. However, decades of irregular data collection have left the government without comprehensive information on the nonprofit sector's composition, finances, workforce and operations. When data on the nonprofit sector is available, it is often not easily accessible or in a usable format.

Currently, there is a lack of coordination and communication across teams collecting data on our sector within Statistics Canada. Siloed approaches have led to inconsistent scoping and definitions, resulting in data sets that are not comparable, which paint different pictures of our sector. Addressing this fragmentation would reduce inefficiencies, improve coordination, and maximize the return on existing investments in data collection.

In partnership with the [Federal Nonprofit Data Coalition](#), a group of 60+ organizations, we call on the federal government to implement the following recommendations to address the nonprofit sector's data deficit.

Recommendations:
4. *Provide Statistics Canada with clear direction to improve nonprofit sector data collection through the creation of a nonprofit unit within the agency, regular updates to the national survey of nonprofits, improvements to existing data collection programs and by maintaining existing nonprofit data products.*
5. *Ensure enhanced federal nonprofit data collection measures announced in the 2024 Fall Economic Statement result in high-quality, publicly available, complete data without creating excessive administrative burden.*

Recommendation 6-8: Enable the co-development of digital tools and AI solutions in the nonprofit sector by incentivizing partnerships between nonprofits, think tanks, universities, government and the private sector

Many nonprofits have the potential to use digital technologies like AI to optimize the delivery of social services. However, not all organizations have the capacity or resources to benefit from these advancements. In March 2022, the Canadian Centre for Nonprofit Digital Resilience (CCNDR) was established to address the growing need for digital resilience within the nonprofit sector. Studies from

the [Futureproofing the Community Workforce](#) initiative indicate that one in three charities believe they will struggle to do their work if they do not improve their digital capabilities.[1]

The nonprofit sector is a vital driver of Canada's economic prosperity and community well-being. As the government continues to invest in digital technologies and AI innovation, the nonprofit sector should not be left behind. While the government has launched several initiatives, such as the [Pan-Canadian AI Strategy](#), [AI Compute Strategy](#), [Canada Digital Adoption Program](#) and [Strategic Innovation Fund](#) to support innovation in Canada, there are no initiatives with eligibility requirements that the nonprofit sector can easily meet, as most initiatives are designed to meet the needs of small and medium-sized businesses.

Despite this, several organizations in the nonprofit sector build and co-design digital and AI tools and products. Unfortunately, many struggle to scale these investments due to difficulties attracting investment. With a contribution of $226 billion in economic activity, the government's lack of investment in the technological advancement of the nonprofit sector could undermine our sector's contributions to employment and GDP.

Recommendations:
6. *Ensure nonprofits are represented on national AI governance advisory bodies to create inclusive, accountable and ethical AI policies.*
7. *Expand digital and AI investment opportunities available to the nonprofit sector by:*
   a. *Enabling and investing in the co-development of digital tools and AI solutions in the nonprofit sector by incentivizing partnerships between nonprofits, think tanks, universities, government and the private sector.*
   b. *Expand Canada's Sovereign AI Compute Strategy to the nonprofit sector to provide organizations with access to programs such as the AI Compute Access Fund.*
   c. *Incentivizing private and philanthropic investment in nonprofit digital innovation through tax incentives or matched funding.*
8. *Support the adoption of digital technologies by investing in digital literacy and training programs.*

Recommendation 9-10: Co-develop a Federal Labour Force Strategy for the Nonprofit Sector

The nonprofit sector plays a significant role in attracting talent from across the world. Our sector accounts for approximately 14% of employees and 12% of the total labour force. However, increased demand for our services has led workers to report high levels of absenteeism, burnout and mental health issues. Our sector continues to face substantial recruitment and retention challenges as many

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[1] CanadaHelps. 2021. Are Canada's Charities Ready for Digital Transformation?. https://www.canadahelps.org/en/digital-skills-survey-2021/

workers have left their fields to pursue work in the public or private sectors, where wages are higher and benefits are more comprehensive.

The nonprofit sector is unique because it has both an unpaid and paid workforce, where volunteers contribute to the sector in tandem with paid employees. A strategy is urgently needed to futureproof and strengthen the nonprofit sector. This strategy should address recruiting and retaining talent and evaluate progress against data on service demand and workforce capacity to serve community members today and into the future.

Recommendations:
9. *Partnering with nonprofit organizations and private foundations to co-develop an 'all hands on deck' labour force strategy to recruit and retain workers in the sector.*
10. *Investing in data collection and analysis of the nonprofit sector to drive better service delivery and workforce planning.*