

PARTNERS IN WELL-BEING

A Government-Charitable Sector Response to COVID-19

Background

Over the past few weeks much has transpired as Canadians, businesses, charitable and nonprofit organizations and governments continue to adapt to the monumental challenges posed by COVID-19.

Leaders of the charitable and nonprofit sector continue to work with government officials to ensure that vital services are available in communities across the country and internationally. These services are critical to address the evolving hardship and loss of life associated with COVID-19 and also to ensure the charitable and nonprofit infrastructure remains intact to support national and international recovery over the long term.

Specifically, a number of advancements have occurred, which the sector both notes and appreciates:

- Inclusion of charities and nonprofits in the federal government's **Canada Emergency Wage Subsidy**. It is estimated to be an investment of approximately \$2.5 billion in social good organizations and will help a number of partners retain staff.
- To-date, **funding announcements** that support some of Canada's most vulnerable citizens are totaling \$324 million.
- **Together, these measures represent an investment of \$2.8 billion for the sector.**

While these investments are meaningful and important, they do not address the full scope of need and stabilization support required by the sector to avert widespread layoffs and closures. As with other industries that contribute significantly to Canada's economy, additional measures in the form of stabilization funding will be required to keep the charitable and nonprofit sector functioning – both now and into the future.

Beyond providing essential services to millions, Canada's nonprofit sector is a critical engine of economic growth and jobs. Charities and nonprofits account for 8.5% of GDP and employ 2.4 million Canadians, of which 70% are women. Our communities are greatly strengthened by organizations working in areas as diverse as health, skills training, support for seniors, immigrant and refugee settlement, social services and poverty alleviation, arts and culture, places of worship, environmental protection and stewardship, amateur sport, animal protection, human rights and gender equality, international development, reconciliation, homelessness, and refuge for people fleeing domestic abuse. Charities' and nonprofits' contributions to social capital and quality of life give Canada a significant competitive advantage in attracting skilled immigrants and overseas investment. This sector is not a 'nice to have' part of Canadian life; it is part of the very fabric of Canadian society.

In addition, as long as COVID-19 remains a threat in high-risk environments beyond our borders (impoverished and unstable environments), the threat will persist domestically as well. We therefore strongly urge the government to adopt a comprehensive strategy that will support charitable and nonprofit partners equitably and fairly, irrespective of area of focus, to address this crisis and support recovery.

The impact of COVID-19 is already severely being felt. StatsCan's March 2020 data reports that job losses in occupations related to the nonprofit sector are approximately 1.4x higher than the rest of the economy (6.8% decline vs 4.9% for the rest). Every day that passes without a strong signal from government that sector stabilization funding is forthcoming risks leading to additional layoffs and foreclosures.

For vital services to continue, the time is now for further investment in Canada's charities and nonprofits.

Request for Critical Support

At the core of the support instruments for the nation's charities and nonprofits is a request for a Stabilization Fund that would represent an investment of \$10 billion. **To date, government investments total \$2.8 billion for the sector, therefore the sector's request for support is currently \$7.2 billion.**

When using this term, it is intended to be defined as:

Stabilization Fund - a suite of interventions designed to keep Canadians employed in the charitable and nonprofit sector and to ensure the continuity of supports and services the sector provides to Canadians and the world (i.e. ability of organizations to survive the crisis).

The **Stabilization Fund** is aimed at ensuring that charities and nonprofits can continue to provide services during the Covid-19 crisis (both in Canada and internationally), where feasible, and are in a position to serve and help rebuild communities as the nation emerges from the crisis.

It is recommended that **The Stabilization Fund** comprise two main elements:

1. **Wage Subsidy Program** - Criteria already released.
2. **Sector Resilience Grant Program** - Grants for core operating support of the full sector to respond to rising community needs and costs; offset the collapse of revenue pipelines that are used to support operations outside of wages (i.e significant financial gaps that are not addressed by the wage subsidy); and to strengthen the sector for the longer term and improve resiliency in the face of COVID-19.

The sector is deeply appreciative of the Government's inclusion of charities and nonprofits in the Canada Emergency Wage Subsidy. However to ensure that services are able to continue amid rapidly rising costs and substantial demand, the proposed Sector Resilience Grant Program is even more urgently needed.

Description of the Sector Resilience Grant Program

- Delivers financial support to the charities and nonprofits so that these organizations have the liquidity and financial support required to maintain services and operations during the crisis period and during the recovery period that lies ahead.
- Many charities and nonprofits are responding to rapidly increasing demand for essential services from vulnerable populations and communities in Canada and abroad.
- The Program will allow charities and nonprofits to maintain operations, sustain facilities and infrastructure temporarily closed, and ensure capacity to reopen during the recovery period in

order to serve beneficiaries and help communities rebuild.

- Incorporates multiple channels and partners to activate integrated stabilization support for the charitable and nonprofit sector. This will send a powerful signal to Canadians and the staff and volunteers within the sector that a comprehensive program is being delivered.

Eligibility criteria

- All registered charities and public benefit nonprofit corporations are eligible, with the exception of universities, colleges, hospitals, and school boards.
- Organizations that demonstrate one or more of the following:
 - increased or significant change in demand related to the Covid-19 crisis;
 - increased costs in delivering services because of the Covid-19 crisis (eg. paid staff rather than volunteers, personal protective equipment, etc);
 - projected revenue declines in 2020 which constitute a threat to their work and survival; and/or
 - programming reductions due to physical distancing.

Maximum funding

Funding per organization will be based on demonstrable need, with no set maximum. However, the goal of the Grant Program is to ensure the continuance of organizations and their essential services.

Local/regional funding decisions will need to take into account the needs and challenges in a particular geographic area.

Fund deployment architecture

Speed and simplicity are the priorities for the sector so that they can help those in need and quickly receive the financial assurances needed to take operational and strategic decisions.

The Fund should be deployed in the most streamlined and accessible way possible to ensure that charities and nonprofits receive the support they need.

Multiple, complementary delivery mechanisms need to be in place. These should reflect the capacity and experience of charitable and nonprofit partners, who have different levels of experience in seeking and managing federal funding. It is therefore recommended that the government adopt a tiered mechanism for charities and nonprofits to submit for and attain stabilization funding, based on history and prior experience, which includes three gateways working in tandem:

1. **Direct Federal Application**, a streamlined application that would allow individual charities and nonprofits to directly apply to the fund, attesting to their need and providing a description of how funds will be used. This pathway is integral for organizations that already partner directly with the federal government (and/or do not have relationships with federated organizations or service federations).
 - a. If a Direct Federal Application option is not desirable, utilize **federal departments and agencies** that have existing relationships and granting experience with large subsectors. However, speed and the capacity to be nimble are essential here, as bureaucratic delays or uncertainty about process will cause significant short term financial constraints and will not stabilize the sector as intended. Indeed, additional delays will blunt the impact of the

Grant Program and will likely not avert further layoffs and closures.

2. **National federated grantmaking organizations** such as Community Foundations and United Way Centraide, which have existing networks and relationships and experience with granting to local organizations. In addition, movements like these are already in motion, making significant investments to support communities from coast to coast to coast.
3. **National service federations** with long-standing and broad reach. With the ability to connect to specific cause and mission areas, many federated models currently serve as conduits to flow funding to local and regional members.

Applications and reporting

Applications need to be very simple. Organizations will be asked to attest to their need and provide a description of how funds will be used. An advisory committee consisting of members of the charitable and nonprofit sector could be convened to provide ongoing advice to the government pertaining to the Stabilization Fund and Grant Program. The committee could also help with any troubleshooting.

Reporting requirements must be kept at the minimum level needed to ensure the public interest. Organizations will provide information in 2021 about how the grant funding was used. Organizations will remain subject to audits as well as existing penalties for the misuse of funds as per any grant and contribution agreement. Additional CRA audits may also be conducted on the use and disbursements of funds, with penalties that include potential loss of charitable status for any organizations that do not follow the parameters established by government with respect to the use of the funds.

Note: We are proposing an inclusion of public benefit nonprofits as 'qualified donees' which would allow them to receive funding in a smooth and efficient manner from all gateways outlined above. This will ensure that funds can reach the full sector with speed and simplicity.