



PHILANTHROPIC
FOUNDATIONS
IN CANADA

LANDSCAPES,
INDIGENOUS
PERSPECTIVES
AND PATHWAYS
TO CHANGE

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Dedicated to our dear
friend and colleague
Jack Quarter
1942–2019

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Reflections and conclusions

Tim Brodhead





This volume helpfully lays to rest three misconceptions about foundations in Canada: first, that foundations are just an expression of “charity”; second, that we can understand the role and practices of Canadian foundations by extrapolating from the more extensively studied world of American philanthropy; and third, that foundations – and the not-for-profit sector in general – are somehow in a “bubble”, protected from larger societal forces and uniquely insulated from the changes buffeting society.

Let us look at each of these in turn. In Chapter One, Peter Elson and Sylvain A. Lefèvre provide a historical overview that positions foundations as part of the charity sector, especially in their origins, but they took on a distinct character in the early 20th century as “problem-solving machines” at the intersection of philanthropy, the corporation and the state. Organized philanthropy, in the form of foundations, became intentional, goal-oriented investors rather than simply “givers”. The essential difference between charity and philanthropy can be neatly summed up in the German proverb, “Charity looks at the need and not at the cause”; by contrast, philanthropy – in principle, though not always in practice – aims not to alleviate but to cure. This distinction underlines the continuing need for both charity and philanthropy as well as their different functions. To ignore pressing needs while searching for solutions is immoral, but to overlook root causes leads to futility.

Nevertheless, charity’s “virtuous halo” continues to shield foundations from much serious scrutiny (this is now changing in the US, as we shall note later). Who can disparage altruism – giving at a cost to oneself that benefits another, with no expectation of reward? The motivations behind philanthropy, however, are not always so righteous.

Throughout the examples of foundation work in this volume this distinction is clear, perhaps nowhere more so than in the chapter written by Nancy Pole and Myriam Bérubé. Centraide du Grand Montréal was created in the 1960s to

encourage and facilitate giving by Montrealers to address poverty, homelessness and other urgent needs. Its purpose was to make charity more efficient and effective. Now, partly in response to changing donor expectations, it has pivoted to address causes and not just needs through initiatives such as the Collective Impact Program analyzed in Chapter 13.

The second misconception about Canadian foundations arises from the sheer scale of the US philanthropic complex and the outsize influence this confers. With typical American self-assurance, much of the literature generalizes US experience as characteristic of foundations everywhere – but in many ways it is quite distinct. Indeed, Canadian foundation representatives often find in international meetings that they have more in common with their European and other peers than with their fellow North Americans. Academic studies, publications like the *Chronicle of Philanthropy* or the *Stanford Social Innovation Review*, a cadre of confident and articulate “thought leaders”, and the candid self-scrutiny of some of the largest foundations generate a constant flow of knowledge, ideas, emergent trends and fads that influence foundation practice around the world, and nowhere more so than in Canada.

Yet, the Canadian context is very different. The growth of foundations is more recent and, as the chapters exploring the role of network organizations like Philanthropic Foundations Canada (Chapter 3), Community Foundations Canada (Chapter 5), or the Circle on Philanthropy and Aboriginal Peoples (usually, just “the Circle”) (Chapter 4) demonstrate, the infrastructure of organized philanthropy here is just being built. To give one example, until recently there were no university-accredited programs in not-for-profit and foundation management in Canada. Academic studies, such as this volume, remain rare.

More importantly, the socio-political context is different. Canadians are less inclined than Americans to dismiss government as “part of the problem”, to use former President Reagan’s famous phrase. This is particularly true in Quebec. Berthiaume and Lefèvre (Chapter 12) analyze the historical roots of Quebecers’ faith in the state as an effective collective instrument and defender of their status as a minority community in North America.

Even while expounding the differences between US and Canadian foundations, we must acknowledge that – as in other areas of shared experience – the US often serves as a harbinger of emerging trends, opportunities and threats. Concepts which were coined in the US – including “strategic philanthropy”, collective impact, impact investing, backbone organizations and so on – have entered both the lexicon and practice of Canadian funders.

Finally, there is the criticism that foundations and the voluntary sector more generally are somehow insulated from change, ostensibly because they are outside the inherently disruptive dynamic of the marketplace. This, as anyone who has worked at a not-for-profit, let alone a charity, knows, is nonsense. Technology has created new ways of giving and participating. People are seeking a more direct connection to the causes they support and evidence that their donations

are producing results. Faith in good intentions is no longer enough. The 2018 Edelman Trust Barometer, which tracks level of trust in institutions across the globe, worryingly reported that, while 8% of Canadians say the community sector is “least broken” (46% consider government “broken”), trust in voluntary organizations has fallen 9% from 2017 to 2018 (among both the “informed public” and the “general population”) (Edleman, 2018).

Clouds on the horizon?

The contributors to this volume tell a mostly upbeat story of “benevolence and good works”: Canadian foundations are growing in scale, number and professionalism. In many cases they are tackling bigger challenges, pioneering new strategies, finding new forms of collaboration. Are there any clouds on the horizon?

Once again, we need to pay attention to what is happening in our southern neighbour. The paradox of foundations is that their greatest asset is also their greatest vulnerability: their autonomy, or what critics would call their lack of accountability. We see through examples in this book how their independence allows them to take risks, to adopt diverse perspectives, to champion unpopular or emergent causes. But that autonomy can also produce arrogance, abusive power relationships, and funding priorities skewed to elite interests.

Foundations are uniquely a product of liberal capitalism. Capitalism allows for the accumulation of vast fortunes, particularly when inequality is at the level experienced during the Gilded Age of the early 19th century or today. Liberalism protects individuals’ right to determine how those fortunes should be purposed. It is no coincidence that for authoritarian regimes and “illiberal democracies” foundations, and philanthropy more generally, are an early target.

The legitimacy of foundations rests on their ability to balance the discretionary character of private wealth with their public responsibility to contribute to the common good. In times of growing economic inequality and political polarization, maintaining this balance – and the legitimacy it confers – is challenging. In the US, it is already a topic of lively debate (as seen in recent works such as the contrasting views of Joel Fleishman’s *The Foundation: A Great American Secret* and Jean Mayer’s *Dark Money*, to cite just two examples).

The “dirty secret” of the use of philanthropic vehicles in the US as a deliberate strategy to promote explicitly partisan political agendas has no parallel yet in Canada. Our politics are less polarized, and the regulations governing charities prohibit overtly partisan activities. Yet, even here, the former Conservative government did not hesitate to attack some foundations’ granting to environmental causes as illegitimate political activity and to unleash auditors to scrutinize their books.

Some people confound their personal interests and the public good: using their wealth or power to promote an individual agenda to them is an exercise of freedom. In a society riven by deep differences over fundamental issues such as the threat posed by climate change, the role of government or the purpose of education, the use of private wealth to set public policy can be deeply problematic. More generally, we are living in a time when many citizens are losing faith in the institutions underpinning our liberal democracy. The sentiment that governing elites are out of touch with the needs of citizens grappling with economic dislocation, changing values and social insecurity is leading some countries to embrace authoritarianism and “illiberal democracy”. (And let us not forget younger citizens who feel betrayed by inaction over climate change!)

Foundations are vulnerable to this loss of legitimacy. In 2017 Oxfam announced that just 42 individuals have as much wealth as the bottom half of the world’s population (Oxfam, 2018). Warren Buffett’s “billionaires pact”, committing a handful of the ultra-wealthy to leaving 50% of their assets to charity does not, by pointing to the good works they sponsor, negate questions about how foundation resources are amassed. Calls for greater inclusivity, accountability and transparency are gaining strength. Claims by foundations that they promote systems change ring hollow when they are themselves seen as manifestations of the very inequality they seek to redress.

For twenty-five years critics of US foundations have pushed for greater inclusion of women, African-Americans and other groups in decision-making roles. In Canada, it is only recently (and under pressure from Indigenous leaders, a more visibly diverse society and, over a longer period, women) that philanthropy is being urged to adopt an “equity lens” in its funding practices and management structures. There is still an uphill path ahead.

All Our Relations

One of the strengths of this volume is the inclusion of powerful statements from respected Indigenous leaders like Roberta Jamieson, the Circle, Diane Roussim and Gladys Rowe. The Truth and Reconciliation Commission’s Call to Action in 2014 was a wake-up call to Canadian foundations – not just to inform themselves about the urgency of the problems faced by many Indigenous people, but to undertake, in Jamieson’s words, to “decolonize philanthropy”. This is not just a matter of social justice, to rectify centuries of neglect and exploitation, but a demand for philanthropy to examine some of its most basic premises.

One of the tenets of social innovation is that new ideas most often come “from the margins”, from society’s interstices. The Indigenous view of the world could help to rectify some of philanthropy’s blind spots. Reciprocity, relationship and wholeness are integral to the Indigenous understanding of life. Some foundations recognize that lasting solutions to large, complex problems require

some form of *system change*, while they themselves continue to work in silos and in isolation from government and others.

A *decolonized* philanthropy would integrate from the Indigenous worldview the inherent connectedness of all things: humanity and nature, economy and environment, physical and spiritual – and funder and *recipient*. In Jamieson’s words, “Reconciliation is not about making space for the ‘other’, it is creating a new space for both” (Chapter 2).

Despite efforts to redress the imbalance, relations between those who give and receive grants are anything but reciprocal. The logic of philanthropy is basically transactional: What result will we derive from this grant? Is it greater or less than some alternative investment? The “relational logic” of reciprocity might instead ask: Do I trust these people to know what they need? Can we work together to help fashion an effective solution?

Foundations working for social justice recognize that the power of money must be balanced by the power of relations. Asking whether the decisions they take are fair, transparent and open to challenge can only be answered by those most affected by those decisions.

This is not of course to argue against evidence, prudence and intelligent risk-taking. But the notion that these qualities are more present in homogeneous, largely male and well-off groups is well past its “best by” date. The evidence that more diversity produces better results is compelling, even if it flies in the face of donor autonomy. The “risk” funders assume is more like an opportunity cost (the grant might have had more impact elsewhere); the risk grant-users take is existential (“if we fail, we may never get funded again”).

Trust in the future

Canadians have been uniquely blessed by nature and by history. But we now face a testing time: economic disruption from new technologies and business models, the existential threat of climate change, an aging society – and the fear that our political and educational institutions and social infrastructure are not equipped to respond effectively and in a timely fashion to growing threats to our future well-being. There is a gap between what science and knowledgeable “experts” tell us is needed, and what electorates are willing to accept. This is even leading some to argue that the fate of democracy in such situations is to trend inevitably toward autocracy.

The “three-legged stool” of a healthy liberal democracy is a market sector that generates wealth, government that makes and enforces rules and ensures some redistribution of that wealth in the interest of equity, and a not-for-profit or community-benefit sector that meets needs not

addressed by government or the market. Foundations, specifically, have been called the research and development arm of the social sector.

Foundations must ensure that their legitimacy as social actors and agents of change is not eroded by a loss of trust. They can borrow some of the methods of business to improve their effectiveness (program- and mission-investing being an example), but they cannot be driven solely by efficiency and profit. They need to work with government or else they risk being niche players and sponsors of short-lived pilot projects; however, they must not aspire to replace government in service delivery or public policy-making.

This brings us to the question of advocacy, a topic raised by many of the contributors, most directly in Berthiaume and Lefèvre's rich and detailed analysis of the *Collectif* of foundations in Quebec in Chapter 12.

Successful systems change requires a profound shift in structures, resource flows, norms and patterns of authority, none of which is achievable without government. For this reason, many foundations, and charities in general, have pressed for advocacy on behalf of the causes and people they work for and with. For foundations, though, one must ask from where they derive legitimacy to advocate. Is it from their money, or their knowledge, or their independence and presumed disinterestedness? In a democracy it cannot be the first; and mere expertise is seldom sufficient (as the deafness to scientists on climate change attests).

The credibility foundations are given must be based on their transparency, lack of self-interest and willingness to share their power and collaborate. As foundations become more outspoken and visible, they will be forced to become more accountable. This is a good thing. The need for more transparency and accountability is a *leitmotif* through many of the chapters in this book; but how can the creative and generative impulses of private initiative be reconciled with community oversight or the stifling effect of public opinion? Can Jamieson's notion, in Chapter 2, that it is *reciprocity that creates equilibrium* help us find a balance between encouraging personal generosity and ensuring public accountability?

Reciprocity could suggest, for example, that the tax benefits to people creating a foundation be based on their degree of diversity and public accountability. Closely held private foundations would receive less favourable treatment than foundations with diverse boards and management, explicit goals and publicly available impact assessments, and representation of the communities they serve whenever feasible (like the best community foundations).

Foundations' autonomy allows for support for obscure, unpopular or emergent issues, which is essential. But foundations also must be concerned with the health of the broader charitable sector. Charities are facing their own struggles, which have been exacerbated by the withdrawal of government funding, especially for core operational costs. As many foundations have adopted a "strategic" approach based on their own priorities, they have stopped accepting unsolicited

requests. The old formula of foundation grants being used for pilot projects that, once proven, could then be scaled up by government money, has not worked for years. It is well to bear in mind a remark by Darren Walker, president of the Ford Foundation: “We frequently assume that foundations are central protagonists in the story of social change, when, really, they are the supporting cast” (Walker, 2014, para 7). Foundations cannot work without strong community partners, and their granting should reflect this reality.

There are other measures that could help to enhance public trust in foundations. Granting above the mandated quota, or the use of endowment assets for impact investing, could be encouraged and rewarded. The “warehousing of charitable dollars” decried by Carla Funk (Chapter 8), could be countered by sun-setting endowments over a generation or two, so that assets are not accumulated long after respect for “founder intent” loses all meaning. For example, the disbursement quota could be adjusted upward by a few percent each decade, which might shift attention from capital growth to program *impact*.

Philanthropy embodies and promotes many of humanity’s most desirable qualities. More than money, its currency is trust. Trust in today’s world is not given; it is *earned*. The 2018 Edelman Trust Barometer (2018) echoes this when it concludes that “trust depends on clarity, balance and validation”. The chapters in this book not only give examples of why that trust is deserved but also why it must not be taken for granted. We may hope that this book opens a wider discussion on how trust can be earned.

The opening chapter of this book questioned philanthropy’s relationship to social inequality, to business and to the state. As far as social inequality is concerned, and the question of whether a larger and more visible foundation sector is cause or effect, Berthiaume and Lefèvre’s conclusion in Chapter 12 is incontrovertible: “The context of heightening social inequalities brings back into the public debate the complex, delicate issue of wealth creation and redistribution and, more generally, the role of philanthropy in combating social inequalities”. Early in the last century Justice of the US Supreme Court Louis Brandeis warned, “We may have democracy, or we may have wealth concentrated in the hands of the few, but we can’t have both” (Louis D Brandeis Legacy Fund for Social Justice, n.d.).

In its relationship to business and the state, the challenge is to collaborate while maintaining foundations’ distinctive value propositions: autonomy balanced by accountability, a capacity to connect and collaborate across silos and categories, and the power to share agency and voice with those who are marginalized and excluded in our imperfect society. There is more cross-fertilization now between business and philanthropy, with the growing acceptance of corporate social responsibility (see Cathy Glover’s useful examples in Chapter 6) and the emergence of hybrid models of “social enterprise” that seek to both “do well and do good”.

There has been less willingness by foundations to engage with governments (and where the effort has been made, as in Quebec, the experience was discouraging). But governments do more than make policy; they create the context and conditions for philanthropy. There is an urgency to improving the way governments function because, in dealing with the effects of massive economic and social dislocation, government is the only collective instrument we have. Collaborative processes like “solution labs” and new social finance instruments are welcome innovations but more attention is needed on how to make government more responsive, nimble and effective.

Philanthropy is most needed when the future is unpredictable, when pressures to address urgent problems absorb most of the available funding, when the insights of the “outliers”, the contrarians, the risk-takers are essential. The mantra “let a thousand flowers bloom” may foster creativity and experimentation, but little social value is created if the flowers merely embellish private gardens and gated communities.

The reflex of business is to do *more* (scale, growth!); the reflex of government is to do the *same* (standardize, routinize!). Philanthropy’s value must come from asking, “What must we do *differently?*” (question, challenge, innovate!) This book shows that the *how* is as important as the *what*: answers are most often to be found at the edges, where strangers meet, disciplines and ideas collide and creativity flourishes. We don’t need philanthropy to do more of the same or to substitute for other sectors; we need philanthropy to ask harder questions and take bigger risks.

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