

INVESTING IN CITIZENS AND COMMUNITIES

**A SUBMISSION
ON THE
COMMUNITY NONPROFIT SECTOR OF CANADA
TO THE
BLUE RIBBON PANEL ON GRANTS AND CONTRIBUTIONS
UNDER THE
FEDERAL ACCOUNTABILITY ACTION PLAN, 2006**

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ENDORSED BY:
Association of Fundraising Professionals
Calgary Chamber of Voluntary Organizations
Canadian Conference of the Arts
Canadian Council of Christian Charities
Canadian Council for International Co-operation
Canadian Council on Social Development
Canadian Environmental Network
Canadian Federation of Voluntary Sector Networks
Canadian Immigrant Settlement Sector Alliance
Community Foundations of Canada
Community Services Council of Newfoundland and Labrador
Council for Business and the Arts in Canada
Family Service Association of Toronto
First Nations Child and Family Caring Society
Health Charities Coalition of Canada
National Anti-Poverty Organization
National Children's Alliance
Niagara College Community Leadership Centre
Philanthropic Foundations Canada
Québec Musicians' Guild
Queen's University - School of Policy Studies
Salvation Army
Sport Matters
United Way of Canada – Centraide Canada
Voluntary and Nonprofit Sector Organizations of Manitoba
Volunteer Canada
YMCA Canada

TABLE OF CONTENTS

RÉSUMÉ	pp. i - ii
EXECUTIVE SUMMARY	pp. iii - iv
OVERVIEW OF CANADA’S COMMUNITY NONPROFIT SECTOR	1
1.0 FEDERAL FUNDING OBJECTIVES FOR CANADA’S COMMUNITY NONPROFIT SECTOR	
1.1 Federal Program Delivery through the Sector	7
1.2 Federal Investment in the Sector	8
2.0 GRANTS AND CONTRIBUTIONS	
2.1 Sector Assessment.....	11
2.2 Sector Recommendations	
2.2.1 Amounts payable under G&Cs.....	13
2.2.2 Administration of G&Cs.....	14
2.2.3 Accountability under G&Cs.....	16
2.2.4 Accessibility to G&Cs.....	17
2.2.5 Advisory services on G&Cs.....	18
3.0 OTHER FINANCIAL INSTRUMENTS	
3.1 Sector Assessment	20
3.2 Sector Recommendations	
I. Joint Examination of Financial Instruments used in other sectors	
3.2.1 A Federal Investment Framework for the Sector.....	21
3.2.2 Investment Instruments.....	22
II. Continued use of Additional Financial Instruments	
3.2.3 Tax Measures	24
3.2.4 Procurement	25
RECOMMENDATIONS	27
APPENDICES	
Appendix 1 - Recommendations of the Task Force on Community Investments.....	31
Appendix 2 - Findings of a Sector Working Group on the Administration of G&Cs.....	36
Appendix 3 - Overview of Organizations participating in this Brief.....	38
BIBLIOGRAPHY	44

INVESTIR DANS LES CITOYENS ET LES COLLECTIVITÉS

RÉSUMÉ

INTRODUCTION

Le gouvernement du Canada a présenté, en février 2006, le projet de loi C-2, *Loi fédérale sur l'imputabilité* et le Plan d'action qui l'accompagne. Le Secrétariat du Conseil du Trésor, responsable du projet de loi et du Plan d'action, a annoncé, en juin 2006, la mise en place d'un groupe d'experts indépendant, chargé de donner des conseils sur les subventions et les contributions pour améliorer leur administration, dans le cadre de son examen de la Politique sur les paiements de transfert.

L'objectif de ce mémoire consiste à communiquer les opinions du secteur communautaire, bénévole et sans but lucratif au groupe d'experts indépendant, en intégrant les avis d'un échantillon représentatif d'organismes qui, à leur niveau, représentent les idées des régions et des sous-secteurs. La Calgary Chamber of Voluntary Organizations est un exemple d'organisme *régional* qui exerce son activité pour le compte de plus de 140 organismes implantés à Calgary. Le sport est important, l'Alliance nationale pour les enfants, le Conseil canadien pour la coopération internationale et la Coalition canadienne des organismes bénévoles en santé sont des exemples d'organismes nationaux sous-sectoriels exerçant respectivement leur activité au nom de centaines de programmes sportifs, de programmes pour les enfants, d'organismes de développement international et du secteur de la bienfaisance du domaine de la santé.

MANDAT DU GROUPE D'EXPERTS INDÉPENDANT

Le Secrétariat du Conseil du Trésor (SCT) a exposé ainsi les trois domaines d'action prioritaires du groupe d'experts indépendant :

- i) examiner les exigences imposées aux particuliers et aux organismes pour bénéficier des programmes de subvention et de contribution gouvernementaux;
- ii) examiner les difficultés de gestion de ces programmes pour les ministères;
- iii) déterminer si d'autres instruments que des subventions et des contributions sont des modalités de financement mieux adaptées à certains programmes¹.

ORGANISATION DU CONTENU DE CE MÉMOIRE

Le contenu de ce mémoire a été organisé conformément à la présentation du mandat du groupe d'experts ci-dessus.

Dans la **première partie**, le secteur reconnaît que les subventions et les contributions (S et C) sont le principal instrument de financement du secteur communautaire, bénévole et sans but lucratif du Canada par le gouvernement fédéral et que, pour les organismes qui en bénéficient, les S et C fédérales constituent, dans de nombreux cas, leur unique ou leur plus importante source de financement. Il importe, par conséquent, aux yeux du secteur, de prendre du recul par rapport à la résolution des problèmes administratifs qui ont tendance à envenimer ces instruments de financement pour répondre à la question préliminaire : *quels objectifs de financement fédéral de notre secteur ces instruments servent-ils à atteindre?* Du point de vue du secteur, deux objectifs très distincts sont associés au

¹ Un groupe d'experts indépendant sera chargé de donner des conseils sur les programmes de subventions et de contributions : document d'information — groupe d'experts — mandat <http://www.tbs-sct.gc.ca/media/nr-cp/2006/0606_f.asp>

financement public du secteur communautaire, bénévole et sans but lucratif d'un pays : « la prestation de programmes fédéraux *par l'intermédiaire* du secteur » et « l'investissement fédéral *dans* le secteur ». Le secteur soutient que ces deux objectifs sont fondés et essentiels, mais qu'ils exigent des instruments de financement assez différents et axés sur différents résultats.

La deuxième partie traite de la première question soumise au groupe d'experts : l'administration des S et C. Le secteur exprime son soutien pour ces instruments de financement, recommande la mise en œuvre des améliorations administratives recommandées par le Groupe de travail sur les investissements communautaires. Il formule également des recommandations complémentaires classées dans les rubriques suivantes : Montants des S et C; Administration des S et C; Reddition de comptes dans le cadre des S et C; Accessibilité des S et C et Programmes consultatifs sur les S et C.

La troisième partie traite de la troisième question soumise au groupe d'experts : les autres instruments de financement que les S et C. Le secteur défend l'idée qu'une stratégie fédérale d'investissement dans le secteur s'impose et qu'elle devrait s'inspirer étroitement de la stratégie et des instruments d'investissement employés pour soutenir le secteur des petites et moyennes entreprises (PME). Des exemples d'instruments de ce type sont cités.

Il est entendu que la deuxième question soumise au groupe d'experts — l'examen de l'administration des S et C du point de vue de l'organisation interne du gouvernement — est en dehors du champ de ce mémoire.

ORGANISMES DU SECTEUR AYANT PARTICIPÉ À LA RÉDACTION DE CE MÉMOIRE

Ce mémoire est présenté par Imagine Canada, ainsi que par des organismes représentatifs du secteur communautaire, bénévole et sans but lucratif. Chacun des organismes du secteur ayant participé à la rédaction de ce mémoire est présenté à l'annexe 3. Les membres et le personnel du groupe d'experts sont invités à s'adresser à tous les organismes participants pour recueillir des observations complémentaires.

Le secteur souhaite exprimer sa gratitude à ce gouvernement qui a admis que l'administration des subventions et des contributions est un domaine des politiques publiques à améliorer. Il félicite le gouvernement d'avoir pris l'initiative de mettre en place le groupe d'experts indépendant et est impatient de collaborer avec ce groupe ainsi qu'avec l'administration canadienne à la mise en œuvre d'un changement indispensable.

PERSONNE-RESSOURCE

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Le tout soumis respectueusement ce vingt quatrième jour d'août 2006.

EXECUTIVE SUMMARY

INTRODUCTION

In February 2006, the Government of Canada introduced Bill C-2, *The Federal Accountability Act* and its accompanying Action Plan. In June 2006, Treasury Board Secretariat, which has carriage of the Bill and Action Plan, announced a Blue Ribbon Panel on Grants and Contributions to address the administration of “G&Cs” as part of its Transfer Payment Policy review.

The purpose of this Brief is to communicate the views of Canada’s community nonprofit sector to the Blue Ribbon Panel. This Brief incorporates the views of a cross-section of organizations which, in turn, represent regional and sub-sector views. The Calgary Chamber of Voluntary Organizations is an example of a *regional* organization that works on behalf of over 140 Calgary-based organizations. Sport Matters, the National Children’s Alliance, the Canadian Council for International Cooperation and the Health Charities Coalition of Canada are examples of national *sub-sector* organizations that work on behalf of hundreds of sport, children’s programs, international development organizations, and the charitable health sector, respectively.

MANDATE OF THE BLUE RIBBON PANEL

Treasury Board Secretariat (TBS) advises that the Blue Ribbon Panel will have three main areas of focus:

- i) reviewing the administrative requirements individuals and organizations must meet in order to access government grant and contribution programs;
- ii) examining the issues faced by government departments in managing these programs; and
- iii) assessing whether instruments other than grants and contributions are more appropriate for funding some programs.²

ORGANIZATION OF THIS BRIEF

The Brief has been organized in accordance with the mandate of the Panel, as stated above:

In **Part 1**, the Sector recognizes that Grants and Contributions (G&Cs) are the principal instrument by which the federal government provides funding to Canada’s community nonprofit sector and, for those organizations that receive federal funding, federal G&Cs are, in many instances, the only or single largest source of funding. Therefore, the sector sees merit in stepping back from addressing the administrative issues that tend to plague these funding instruments to address the preliminary question: *What are the federal funding objectives for our sector that such instruments seek to achieve?* From a sector perspective, there are 2 quite distinct objectives associated with public funding of a country’s community nonprofit sector: “delivery of federal programs *through* the sector” and “federal investment *in* the sector”. The Sector argues that both objectives are valid and essential but require somewhat different funding instruments directed at different outcomes.

Part 2 addresses the first issue before the Panel - the administration of G&Cs. The sector expresses support for these funding instruments, recommends implementation of the administrative improvements identified by the Task Force on Community Investments, and brings forward further recommendations

² Independent Blue Ribbon Panel to Advise on Grant and Contribution Programs: [Background - Independent Blue Ribbon Panel - Terms of Reference](http://www.tbs-sct.gc.ca/media/nr-cp/2006/0606_e.asp#bk1): http://www.tbs-sct.gc.ca/media/nr-cp/2006/0606_e.asp#bk1

under the headings Amounts payable under G&Cs; Administration of G&Cs; Accountability under G&Cs; Accessibility to G&Cs; and Advisory programs on G&Cs.

Part 3 addresses the third issue before the Panel - funding instruments other than G&Cs. The sector expresses the view that a federal investment framework in the sector is required that should closely parallel the investment strategy and instruments used to support the small and medium enterprise (SME) sector. Examples of such instruments are provided.

It is acknowledged that the second issue before the Panel - an examination of the administration of G&Cs from an internal government perspective - is outside the scope of this Brief.

SECTOR ORGANIZATIONS PARTICIPATING IN THIS SUBMISSION

This Submission is presented by Imagine Canada together with a cross-section of community nonprofit sector organizations. An overview of each of the sector organizations participating in this Brief is included in Appendix 3. Panel Members and staff are invited to contact any of the participating organizations for further comment.

The Sector wishes to express its appreciation that the administration of Grants and Contributions has been recognized by this Government as an area of public administration that is ripe for improvement. It congratulates the Government on its initiative in striking the Blue Ribbon Panel and looks forward to working with the Panel and the Public Service of Canada to bring about much-needed change.

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OVERVIEW OF CANADA'S COMMUNITY NONPROFIT SECTOR

NOMENCLATURE

Canada's economic activity is often divided into 3 broad sectors - the Public Sector, the Business Sector, and the "Third Sector". In this Brief, this so-called "third sector" will be referred to as the community nonprofit sector. Reference will be made to constituent organizations or elements of the sector, such as voluntary sector organizations, charities and not-for-profit corporations, where it is meaningful to do so. Such distinctions are consistent with those made in the public sector between, for example, departments and crown agencies or in the business sector between, for example, public companies and SMEs. For brevity, the sector will also be referred to from time to time as "the third sector" or simply "the sector".

SIZE

Largely unquantified as an area of economic activity until Imagine Canada and several other sector organizations partnered with Statistics Canada to sketch the parameters of the sector, we now know that Canada has one of the largest and most vibrant community nonprofit sectors in the world. One can feel the energy and commitment behind the following annual statistics: \$9 billion in donations; 2 billion hours of volunteer time; 22.2 million donors; 11.8 million volunteers; over 2 million fulltime equivalent workers; 750,000 unincorporated community organizations; 81,000 nonprofit corporations; and 80,000 registered charities³. By international *per capita* standards, Canada is home to the second-largest non-profit workforce in the world⁴. The sector's over 2 million full-time equivalent (FTE) workers constitute 11.1% of the economically active population. By comparison, this percentage is 9.8% in the US; 8.5% in the UK; and 6.3% in Australia.⁵ This depth and breadth - extending horizontally across regional and provincial borders into even the smallest of Canadian communities and vertically into hundreds of activity-based sub-sectors - weave a rich tapestry of community organizations, registered charities, incorporated not-for-profits and grass roots organizations, created by Canadians to address the issues that they care about most.

SOURCES OF REVENUE

Canada's community nonprofit sector is sustained by 2 principal resources: public funding and private donations of money and time. Total annual sector revenue as of 2003 was \$112 billion⁶ making it larger than the mining, oil and gas and auto manufacturing sectors.⁷ Approximately half of revenues (51.2%), being \$57.3B/ year, are from federal, provincial and municipal funding⁸. In some

³ Registered charities are not-for profit corporations that qualify for favourable tax treatment and are able to issue tax receipts to donors, and are subject to registration, approval and regulation under the Income Tax Act of Canada.

⁴ This measure takes into account both paid workers and volunteers. The Netherlands has the world's largest per capita nonprofit workforce.

⁵ Johns Hopkins Comparative Nonprofit Sector Project.

⁶ *Cornerstones of Community*, Statistics Canada, 2005 Catalogue 61-533-XPE, page 11.

⁷ *Greater than the Sum of Our Parts*. Imagine Canada, 2005, p.18.

⁸ *Satellite Account of Nonprofit Institutions and Volunteering*, Statistics Canada, (2004) (Data on the economic contributions of the nonprofit sector in Canada for the period 1997-1999.)

sub-sectors, this percentage rises to well over half⁹. Federal funding accounts for 7% of *total* funding and therefore about 14% of *government* funding to sector organizations. In 2003, the last year for which data is available, federal funding to sector organizations was \$7.7B¹⁰.

Public funding as a whole is provided through 2 principal funding instruments: 31% “through grants and contributions” and 18% “for goods and services” (contracts). Federal spending is more heavily weighted toward G&Cs, than public spending as a whole. Of \$7.7B in federal funding in 2003, \$6.1B or 79% was through G&Cs and \$1.6B or 21% was payment for goods and services, largely in the form of contracts granted through federal procurement processes.¹¹ Total federal spending through G&Cs is \$24B/ year¹² of which 25% - being \$6.1B – is transferred to the community nonprofit sector.

ECONOMIC IMPACT

Canada’s community nonprofit sector is also a critical contributor to our national economy. Measuring 7.8% of the gross domestic product (GDP), it is a significant economic force, with more than two million full-time equivalent workers and 11.8 million volunteers providing 2 billion hours of donated time. When these volunteer hours are included, the sector accounts for 8.6% of GDP¹³ - more than the combined GDP of Nova Scotia, Manitoba and Saskatchewan.

Another measure of the sector’s economic impact is the costs savings it delivers to Canadians through the generous donations of time and money to support delivery of public programs and priorities. The costs savings for governments from partnering with sector organizations are particularly apparent when delivering programs to communities that are challenged by their distance from urban centres and by populations that need high levels of community support. In addition, these organizations contribute to government’s knowledge development activities which are required to execute its policy and program development roles. These costs savings are quantified in section 1.1 below.

JURISDICTION OVER THE SECTOR

Some tend to view the community nonprofit sector as one of provincial or even municipal jurisdiction. However, like most spheres of economic and other activity in Canada, jurisdiction over the sector and its activities is divided among federal, provincial and municipal levels of government. While the National Survey of Nonprofit and Voluntary Organizations (NSNVO) reports that almost two-thirds of the sector’s 161,000 incorporated organizations function almost exclusively at the local level¹⁴ many of their activities are funded under federal programs and fall under the federal

⁹ In select sub-sectors, such as colleges and universities, social programs, and hospitals, revenues from government rise to 56%, 66% and 70% respectively.

¹⁰ This is consistent with the finding that federal funding is 7% of total annual sector funding of \$112B/ year.

¹¹ *Cornerstones of Community: Highlights of the National Survey of Non-profit and Voluntary Organizations*, 2003 revised, Statistics Canada, 2005 Catalogue 61-533-XPE pages 25 - 28.

¹² Blue Ribbon Panel Consultation Paper, 2006, p. 5.

¹³ *Supra*, See note 7.

constitutional powers of Immigration, Criminal Justice, Citizenship, Aboriginal Affairs, Official Languages, Environment, and International Affairs Development. Jurisdiction over the sector can be compared in many respects to jurisdiction over the small and medium enterprise (SME) sector - while many small business activities tend to fall under provincial and delegated municipal jurisdiction, the federal government has asserted a highly developed public policy and funding role vis-à-vis the SME sector to ensure that it is viable and productive, nationally. Given the role that the community nonprofit sector plays in areas of national concern such as citizenship engagement, Canada's role in the world, international development and our national quality of life, the arguments to support a strong federal policy and funding role for the sector are even more evident.

INVESTING IN CITIZENS AND COMMUNITIES

Sector organizations overwhelmingly define their mandates as serving citizens and communities. They are animated by '*making communities strong*'; by '*safe*' and '*healthy*' and '*vibrant communities*'; and by contributing to '*Canada's role in the world*' to '*democratic institutions*' to '*citizenship engagement*' and to our '*cultural mosaic*'. Sector employees and volunteers carry out citizen-facing and community-based activities, many of which fall under federal or shared federal-provincial jurisdiction: they build strong neighbourhoods and maintain safe communities and provide victim support, emergency shelter, and re-integration of criminal offenders into communities. They support multiculturalism, economic, environmental and natural disaster relief, immigrant settlement, aboriginal employment, and international development. They promote our official languages and contribute to Canada's arts and culture.

CONTRIBUTION TO QUALITY OF LIFE

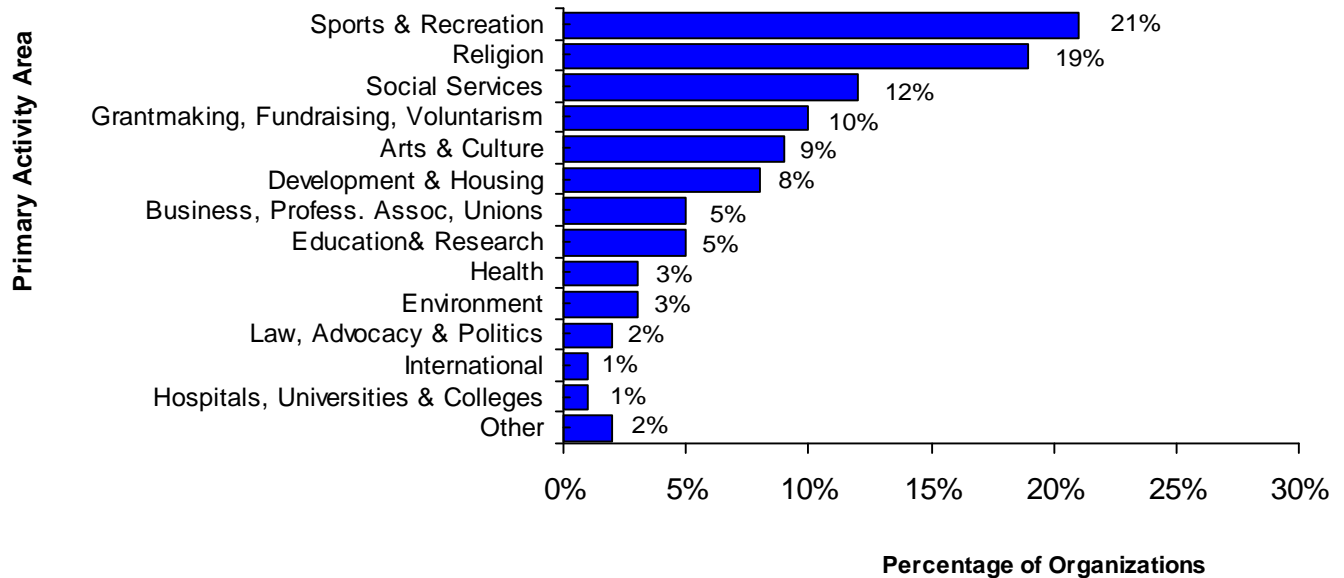
Canada's community nonprofit organizations are an engine for engaged, active communities. They are what anchors many communities - the YMCA, Big Brothers, faith organizations, the hostel, a women's shelter, children's hockey - and are key community partners in building the quality of life for which Canada is respected around the world. These organizations are essential in maintaining and strengthening our democratic systems and are a common measure of a nation's commitment to civil society. In the *National Survey on the Quality of Life in Canadian Communities*, "Canadians believe that charities have the biggest impact on the quality of life in their communities".¹⁵

¹⁴ *Supra*. See note 10.

¹⁵ *National Overview of Findings from a National Survey on the Quality of Life in Canadian Communities*, Strategic Counsel, (2005).

ECONOMIC ACTIVITIES

Here is an overview of organizations according to their primary area of economic activity¹⁶:



MARKET SEGMENTATION: SME-SMO

While there are some quite large charities in Canada, the community nonprofit sector consists largely of small and medium organizations (SMOs) and is, under many measures, comparable to the small and medium enterprise (SME) sector. A recent study funded by HRSDC highlighted the analogies between Canadian *SMEs* and *SMOs*¹⁷.

Like the SME sector, revenues and personnel are concentrated among a very few sector organizations, with only 1% of registered charities and not-for-profit corporations having \$10 million or more dollars in annual revenue and 59% having only one or no paid staff. 40% report a lack of internal capacity (e.g. administrative systems and technology) as a problem.

SMEs and SMO face similar challenges complying with government reporting, audit and regulatory requirements. Governments, too, face challenges adjusting their program design and execution to the needs of SMEs and SMOs. Canada Revenue Agency (CRA) provides an example of a government agency that faces challenges trying to ensure compliance with regulatory requirements among both SMEs and SMOs.

SECTOR STATUS

The notion of a “third sector” encompassing a number of vibrant “verticals” such as the arts, sport and social services, is a relatively new concept, both domestically and internationally. Throughout the Brief, we will see references to national leaders, including our own Prime Minister, and to

¹⁶ National Survey of Nonprofit and Voluntary Organizations, 2004.

¹⁷ “Building Blocks for Strong Communities” i) Key Findings and Recommendations; ii) A Profile of SMOs in Canada; and iii) A Profile of SMEs in Canada. Imagine Canada and Canadian Policy Research Networks, 2006

national strategies, investment instruments and resources in the UK, US and Australia, that champion the sector as a whole. This domestic and international trend toward “sector aggregation” and “horizontal collaboration” is widely viewed as positive both by governments and sector organizations. However, just as we have almost inadvertently built one of the most dynamic community nonprofit sectors in the world, continued inadvertence is one of the largest threats to the sector. Unlike almost every other sector imaginable - from mining, to fisheries, to SMEs - there is no overarching sector strategy, no apparent long-term vision, funding, nor investment framework for the community nonprofit sector. This hole in the federal landscape creates funding gaps, inconsistencies and inefficiencies both for the sector and for government. For example, while cost-to-disbursement ratios are not currently measured, there is a widely held view among both *funders* and *fundees* that, if measured, the internal costs of administering and overseeing the current short-term micro-funding regime is disproportionately high for both parties relative to amounts actually disbursed.

RECOMMENDATIONS

Over the past decade, the federal funding model has changed from more flexible, longer-term, stable funding instruments to short-term project-based grants, contributions and contracts. In most instances, the funding instruments and policies themselves did not change and in no way preclude longer-term funding arrangements; rather, administrative practices changed, rapidly and unilaterally, fostering a highly uncertain fiscal environment for Canada’s community nonprofit sector and an erosion in morale among sector workers who have almost no job security and limited capacity to invest in longer-term program delivery strategies for the citizens and communities they serve. If not addressed, these developments could threaten Canada’s favoured place among countries with vibrant third sectors and high levels of community engagement.

This Brief calls for a re-investment in Canada’s community nonprofit sector through a federal investment framework for the sector, supported by G&Cs, together with other established federal funding instruments that are commonplace for supporting investments in other sectors.

1.0 FEDERAL FUNDING OBJECTIVES FOR CANADA’S COMMUNITY NONPROFIT SECTOR

Government has 2 distinct sets of policy objectives associated with public funding for the community nonprofit sector:

- i). delivery of federal programs *through* the sector (“federal program delivery”); and
- ii). federal investment *in* the sector (“federal investment”).

Both objectives are valid and essential. However, it is argued in this Submission that while these objectives are clearly defined in respect of Canada’s Business sector, and executed through an established suite of effective federal programs and agencies, the federal policy and programs environment with respect to Canada’s “third sector” is in disarray. The following chart summarizes the principal policy objectives and funding instruments recommended in this Brief:

PRINCIPAL POLICY OBJECTIVES AND FUNDING INSTRUMENTS FOR THE SECTOR		
POLICY OBJECTIVE	Delivery of Federal Programs <i>through</i> the Sector	Federal Investment <i>in</i> the Sector
FUNDING GOALS	§ Delivery of specified programs to citizens and communities	§ Investing in the sector’s sustainability and program delivery capacity
FUNDING INSTRUMENTS	§ G&Cs § Contracts	§ Sector Investment Framework § Tax Measures § Crown Agencies e.g. Lending Institutions, Foundations § G&Cs § Contracts
DELIVERY AGENT	§ Operating Departments § Federal-Provincial Partnerships	§ Operating Departments § Central Agencies § Crown Corporations § Federal-Provincial Partnerships
GOVERNANCE	§ Operating Departments	§ Operating Departments § External Boards with sector representation
MANDATE/ DIRECTION	§ Policy on Transfer Payments § Treasury Board Guidelines	§ Enabling Legislation e.g. <i>Budget Implementation Act</i> ; <i>Crown Agency Acts</i>

1.1 FEDERAL PROGRAM DELIVERY THROUGH THE SECTOR

The Government of Canada relies on community nonprofit sector organizations to provide local understanding and frontline program delivery capacity to citizens and communities. The more than 2 million Canadians engaged in paid employment within the sector are overwhelmingly involved in frontline program delivery, significantly as local program delivery agents for governments. The programs delivered by these organizations as federal program delivery agents reflect federal priorities under the federal spending powers.

The end-users or beneficiaries of these programs are citizens and communities. They communicate high levels of satisfaction with the programs delivered through community nonprofit sector organizations: a 2004 IPSO-REID Study reported that 72% of Canadians agree that "charities do a better job than government in meeting the needs of Canadians"¹⁸.

Governments also benefit from partnering with the community nonprofit sector to deliver programs. Among other reasons, governments are able to leverage the ability of these organizations to draw on voluntary contributions of time and money from Canadians. Every dollar that governments provide to these organizations is matched by 28 cents in contributions of donated dollars and volunteer time by individual donors, and by another 32 cents derived from other revenue sources such as earned income. Expressed differently, nonprofit organizations add 60% of economic value to government investments in nonprofit service delivery through their own initiatives and the support of their donors and volunteers¹⁹.

Governments and political parties in other jurisdictions are including among their top priorities the use of their community nonprofit sectors as significant program delivery partners. The June 2006 edition of *The Economist* reports that "[British Conservative Leader David] Cameron has long believed that [community nonprofit] organizations have the potential to take over the delivery of many programs that are currently provided by the state..."²⁰ The British Government itself has recognized the savings opportunity for government and the program delivery benefits for communities and citizens and put in place a comprehensive public policy and investment framework for ensuring that the sector has the program delivery capacity to sustain this role. And our own Prime Minister, The Honourable Stephen Harper, recently stated, in his previous capacity as Leader of the Conservative Party of Canada that, "The charitable sector plays an invaluable role in helping Canadians and making our communities strong. They provide important services and often partner with governments to provide services Canadians need and depend on... this [is an] important sector – a sector which employs millions of Canadians whether as paid employees or as volunteers."²¹

¹⁸ *Talking About Charities*. An IPSO-REID Study sponsored by the Muttart Foundation, 2004.

¹⁹ Dr. Michael Hall, Vice President Research, Imagine Canada, based on estimates derived from the 2003 National Survey on Non-profit and Voluntary Organizations (NSNVO).

²⁰ The Economist, June 2006. See also http://www.conservatives.com/tile.do?def=news.story.page&obj_id=130038&speeches=1; and http://www.conservatives.com/tile.do?def=news.story.page&obj_id=128325&speeches=1

²¹ Speech by the Honourable Stephen Harper, Leader of the Conservative Party of Canada, New Hamburg January 7, 2006.

While some federal departments, such as Service Canada, have clearly embraced this policy,²² there appears to be no overarching policy framework in Canada regarding the use of the community nonprofit sector as a complementary program delivery agent for federal programs and services. Rather, the third sector funding regime has migrated over the past decade, without any clear policy framework or stated objective, to one of contracting for overly defined programs at rates that are significantly less than full cost recovery. This is manifest through 2 practices:

- i) Terms and Conditions: The “T&Cs” are so strictly defined by the funder that the program provider has little or no flexibility to apply their own professional judgement and competencies or to tailor their programs to meet local or shifting community needs; and
- ii) Funding Levels: The programs are funded at levels that our grandparents may have called “penny-wise and pound foolish”. Direct costs are generally captured but at the lowest possible rates, while indirect costs are seldom captured, or are allowed at a fraction of the actual cost associated with sustaining the organization as a viable program provider. Therefore, while immediate cost reduction priorities may be met, they are achieved at the expense of sustaining these organizations over time.

It is recommended that:

- § To the extent that the policy objective underlying the Grant or the Contribution is the delivery of federal programs through the community nonprofit sector:
- i) the terms and conditions under the G or C must be sufficiently flexible to recognize the professional competencies of the program provider and to enable local or client-specific interpretation of the program mandate; and
 - ii) the funding levels under the G or C must reflect the full cost of program delivery and be paid on a full cost recovery basis.

1.2 FEDERAL INVESTMENT IN THE SECTOR

Government’s second objective for providing public funding to the community nonprofit sector under federal G&Cs has less to do with government’s program delivery mandate and more to do with government’s role in developing sector strategies and enabling those strategies through funding and support. Government plays a similar dual role vis-à-vis the business sector - contracting for billions of dollars of programs as well as investing in the sector under a relatively comprehensive sector investment framework. Examples of the programs and institutions that exist to invest in and support Canada’s SME sector include:

- § Business Development Bank (lending),
- § CAN*ARIE (start-up capital),

²² Program Canada oversees 55,000 contracts between the Government of Canada and community nonprofit organizations and has begun developing a policy framework to support this outsourced program delivery model.

- § Technology Partnerships (venture capital),
- § the Small Business Secretariat at Industry Canada (policy development),
- § Export Development Corporation (insurance),
- § Canadian Commercial Corporation (contracting),

and many others that, together, ensure that there are hundreds of millions of dollars in direct federal investment and economic support to that sector annually.

The last 3 organizations alone illustrate through their mandates the long-range agenda setting, the involvement of sector organizations in that process, and the establishment of secure federal agencies backed by long-term funding instruments that exist to invest in and support Canada's SME sector:

The Small Business Policy Branch

The Small Business Policy Branch is responsible for maintaining a strategic overview of Canadian small business, across regions and industrial sectors, including assessing gaps and weaknesses in the marketplace, and advising on government policy and programs. Main activities focus on conducting research and providing policy direction and advice in the following areas: access to financing; business management skills; e-business; self-employment; business climate policy; and business information products.... The Branch also provides advice in the development of a coherent long term government small business agenda. To achieve its mandate, the Branch works in partnership with other government organizations and with key private sector organizations.

Export Development Act

10. Purposes: The Corporation is established for the purposes of supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities.

Business Development Bank of Canada Act

4. Purpose: "The purpose of the Bank is to support Canadian entrepreneurship by providing financial and management programs and by issuing securities or otherwise raising funds or capital in support of those programs. In carrying out its activities, the Bank must give particular consideration to the needs of small and medium-sized enterprises".

From time to time, there appears to be some consideration in some departments for investing in Canada's third sector. However, overwhelmingly the last decade has witnessed a period of erosion of investment funding in the people and organizations that comprise Canada's third sector and an almost wholesale concentration on delivering federal programs at below cost recovery levels.

Therefore, the sector applauds efforts to address the administration of Grants and Contributions to Canada's community nonprofit sector, but recognizes that even a highly efficient G&Cs administration process will not address the underlying problem in the third sector "marketplace". Simply put, the sector will always require high levels of public funding: less, on a percentage basis,

than the Public Sector, which is fully funded by the state, but more than the Business Sector, which is largely self-funding subject to sector and investment strategies. The fairly rapid and unilateral transformation in the federal funding model, unsupported by any overarching sector framework, has left the sector functioning in a highly uncertain fiscal environment that hampers its ability to achieve desired outcomes for funders and citizens and communities.

Success on this second funding objective - a sectoral investment framework - requires consideration of both G&Cs as well as other established and complementary federal funding instruments. As noted by the Auditor General of Canada: “Complex, multifaceted cross-sectoral issues besetting communities - from youth violence and crime prevention to reducing energy consumption and responding to communicable disease outbreaks - cannot be addressed by a single department or order of government.”²³

It is recommended that:

- § the Government of Canada commit to the joint development of a long-term federal investment framework for the sector, consistent with the mandate and “partnership” commitments of the Small Business Policy Branch to the SME sector; and
- § the Investment Framework incorporate well-established and complementary federal funding instruments in addition to G&Cs that are used to facilitate investment strategies for other sectors and, in particular, the SME sector.

²³ Report of the Auditor General of Canada, November 2005, Chapter 4: Managing Horizontal Initiatives, Page 1.

2.0 GRANTS AND CONTRIBUTIONS

In Part 2, the sector provides a brief assessment of the administration of federal funding through Grants and Contributions then makes recommendations for improvement under the headings Amounts of G&Cs; Administration of G&Cs; Accountability under G&Cs, Accessibility to G&Cs; and Advisory programs on G&Cs.

2.1 SECTOR ASSESSMENT

The sector's concerns about the administration of G&Cs are very effectively summarized by the Panel at page 10 in its Discussion Paper²⁴. These 9 points draw on the excellent work of the Canadian Council on Social Development (CCSD) in its *Funding Matters* Reports of 2003 and 2005. The sector also brought forward its concerns in its Submission to the Parliamentary Committee on Bill C-2: *The Federal Accountability Act*, under the heading Grants and Contributions - The Problem (pages 5-9), which will also be filed with the Panel.

Without repeating those concerns here, this Brief would not be complete without citing several examples of the administrative issues faced by both departments and sector organizations within the current G&Cs environment. The following examples are provided by the Health Charities Coalition of Canada, the United Way of Canada-Centraide Canada, and the Canadian Council for International Co-operation:

The Health Charities Coalition of Canada cites the problems associated with invitations to apply for funding that is not secured. This example relates to G&Cs under the Financial Assistance to National Voluntary Health Organization (FANVHO) Program at Health Canada. Each year, the Voluntary Sector Office (VSO) calls for applications for grants and contribution agreements in the \$80,000 - 150,000 range. The program supports both organizational and sector development. It has no stable funding to support these G&Cs and the amounts tend to be subject to other year-end priorities. The total amount of funding has averaged approximately \$1.9 million/year. Health charities typically do not have in-house personnel to comply with the extensive application processes and need to hire external resources or reallocate existing resources which puts a strain on workload and capacity levels. It is consistently unclear whether the funds that the organizations are applying for will in fact be available. In 2006, for example, after many organizations expended significant sector resources completing these grant applications, the Public Health Agency of Canada announced that funding was not available this year and no G&Cs would be awarded. This provides an example of the need for a policy framework, stable funding programs, and streamlined application processes that are tied to actual funding and funding objectives in operating departments government-wide.

Action for Neighbourhood Change (ANC) provides an illustration of 5 best practices but one "worst practice" associated with the administration of a multi-year and multi-party contribution agreement. The "worst practice" is accompanied by a recommendation for change. ANC is a 2-year project now into its second year. The parties include 5 federal departments and, 4 national and 5 regional delivery agents, working in several neighbourhoods across Canada to address neighbourhood

²⁴ The Paper is at: <http://www.brp-gde.ca/> <<https://mail.cou.on.ca/exchweb/bin/redirect.asp?URL=http://www.brp-gde.ca/>>

revitalization. The lead federal organization is the Housing and Homelessness Branch at HRSDC and the lead sector organization is the **United Way of Canada-Centraide Canada**.

The 5 best practices are:

- i). **Single Contribution Agreement:** A single contribution agreement with one lead department to improve efficiencies associated with negotiations, reporting and liaison;
- ii). **Harmonized Timeframes:** An alignment of the multiple time frames under the various program mandates;
- iii). **Streamlined Reporting:** A simple monthly reporting obligation limited to a listing of projects activities supplemented by quarterly progress reports tracking results;
- iv). **Evaluation:** A project evaluation that reflects the individual and collective objectives of the various federal programs; and
- v). **Working Relationships:** Open effective relationships with administrative personnel (program managers and financial officers) and senior program executives.

The one “worst practice” – no doubt from a federal as well as a sector perspective – is an annual renewal obligation within a multi-year project. The contribution agreement was not renewed until the end of the 1st Quarter in Year 2. There are 7 highly predictable and disruptive consequences that flow from practices that place recipient organizations, mid-project, in a position where no funding contract in place. These practices, in turn, pose threats to project outcomes, including the need to divert project resources to:

- i). Manage anxieties and expectations of project participants;
- ii). Re-negotiate partnerships;
- iii). Instigate new plans and commit to diminished outcomes;
- iv). Manage budgets and assume largely unmanageable financial and liability risks;
- v). Maintain cashflow and ongoing financial obligations;
- vi). Manage devastating blows to human resources (the funding delays have resulted in the loss of key staff at critical points in the project); and
- vii). Withstand the loss of project momentum, credibility and confidence of the community.

It is recommended that multi-year projects have multi-year funding arrangements. If renewals are required, the funder should commit to having renewal agreements in place - or to provide notice of termination if required - at least 3 months prior to the termination of the current agreement.

The Canadian Council for International Co-operation (CCIC) points out a further administrative challenge arising from its important international mandate, and an associated recommendation for change. CIDA and other federal funding bodies require CCIC and other sector organizations working on international projects to comply with audit practices that have been designed for domestic projects. These audit practices require the submission of original receipts for all project expenses. This requirement poses 2 almost impossible challenges for these organizations:

- i). receipts are simply not available (the lack of taxi chits in third world countries is just one of many obvious examples); and
- ii). to the extent receipts are available, originals are required by the international partner organizations(s) to meet their own country’s audit requirements.

The inability or unwillingness of auditors to accommodate unavoidable obstacles results in many necessary project expenses being delayed or even denied and project personnel having to resort to highly inefficient but “receiptable” activities to accommodate the audit.

There are obvious administrative work-arounds, such as submitting copies of receipts initialled by an approved person, provided that the issues are examined from a practical and project outcomes perspective as opposed to a rules-based and often impracticable perspective.

On balance, the sector feels it that has brought forward its concerns as illustrated by the examples above, that program staff are overwhelmingly sympathetic, and that the sector “has been heard”. The challenge faced by the Panel is less about diagnostics and almost wholly about execution. This view is shared by the Auditor General when she observes that “while some departments are trying to respond to recipients' concerns, they could do much to streamline their procedures and reduce recipients' administrative burden”.²⁵

2.2 SECTOR RECOMMENDATIONS

The sector’s recommendations for improving the administration of G&Cs are addressed under the following headings:

1. Amounts under G&Cs;
2. Administration of G&Cs;
3. Accountability under G&Cs;
4. Accessibility of G&Cs; and
5. Advisory programs on G&C’s.

2.2.1 AMOUNTS PAYABLE UNDER G&Cs

More than one-third (39%) of incorporated sector organizations report receiving external funding in the previous three years. The majority (61%) of those organizations reported problems because of the “unwillingness of funders to fund core operations”. A majority (65%) also report that the reduction in government funding posed problems for their organization or clientele²⁶.

While the need to streamline the administration of G&Cs is of clear concern to the sector, the most pressing issue is the question of amounts. As noted in Part 1 of this Brief, G&Cs may seek to address *program delivery* or *sector investment* objectives and that different funding levels may apply to each:

i) Program Delivery Objectives: Contracts for programs should reflect the full cost of delivering programs including overhead, administration and the sustainability of the organization as a program delivery partner. While government efficiency is an appropriate goal, it can not be achieved through compensation and payment practices that border on exploitive. Third sector compensation, relative to public program organizations, is now widely viewed as unacceptable²⁷. Third sector organizations are entitled to full cost recovery for their programs. Payment for programs at below-cost rates is not

²⁵ Report of the Auditor General of Canada, Paragraph 6.36, May 2006

²⁶ The National Survey of Nonprofit and Voluntary Organizations (NSNVO), 2004

²⁷ For further information, visit the Canadian Policy Research Network (CPRN) (www.cprn.org >work networks> publications) or the Human Resources Council for the Voluntary Nonprofit Sector (www.hrcouncil.ca).

a sustainable or appropriate funding objective for Canada's federal government. The sector investment framework called for in this Brief should identify what additional amount is required to achieve full cost recovery. While amounts will vary, a subjective assessment on a grant by grant basis is impracticable. Joint consideration should be given to a standard full cost recovery formula, such as direct costs plus a fixed percentage that reflects the reasonable amount required to address the full cost costs of program delivery beyond direct out-of-pocket costs.

Use of contracts may, in some instances, be more appropriate funding instruments than grants or contributions when government is engaging the sector to carry out program delivery mandates. These contracts should be a funding instrument under the Policy on Transfer Payments that complement but are distinct from G&Cs and outside of public sector procurement regimes. Direct competition among SMEs and SMOs through public sector procurement would tend to create a very un-level playing field for both sectors and should not be adopted as a wide-spread practice.

ii) Investment Objectives: Where the funding objective is to invest in the sector, the current practice appears to be to *reduce* the amount that would otherwise be payable on a program delivery basis. This practice seems to be based on an ill-defined policy objective of requiring organizations to seek alternative sources of funding and, in some instances, to get others to effectively subsidize the government's program delivery costs. Rather, where there are sector investment objectives to be achieved, over and above the program delivery objective, amounts payable under the G or C should increase, not decrease. Furthermore, these sector investment objectives - such as building a sustainable local program delivery partner - should be identified and provided for over and above the program delivery costs.

It is recommended that:

- § the amounts payable under G&Cs for program delivery should reflect full cost recovery; and
- § additional federal objectives to support investment in the sector should serve to increase and not decrease the amount of the G or C.

2.2.2 ADMINISTRATION OF G&CS

As it undertakes the somewhat daunting task of recommending improvements to the administration of G&Cs, the Panel can draw upon some excellent work that is already underway, including the efforts to identify both problems and solutions undertaken by HRSDC, and the successes achieved by Service Canada in its implementation of solutions, as follows:

i) Problem identification: In 2004, HRSDC commissioned Capgemini to convene a sector Working Group on the Administration of Grants and Contributions. The Working Group identified the top concerns among sector organizations on the administration of G&Cs. Although their comments were directed at G&Cs administered by HRSDC, they are broadly applicable to G&Cs government-wide. Their findings can be summarized under 10 headings, including the Need for Funding "Relationships"; the Duration of the Application Process; and the Administrative Burden as a whole. Particulars of the Findings of the Working Group are set out in [Appendix 2](#).

ii) Identification of Solutions: In 2004, the Government of Canada established the Task Force on Community Investments (the “TFCI”) under the leadership of HRSDC to examine federal policies and practices relating to the use of transfer payments and to make recommendations on more consistent and coherent funding practices and seamless, horizontal approaches to community investments across the Government of Canada.

The sector has participated on the TFCI’s External Advisory Group and agrees with the “Opportunities for Improvement” that the TFCI identifies in Parts 2, 3 and 4 of its July 2006 Draft Report. These recommendations address Opportunities for Improvement in respect of Administration, Policy, and Infrastructure. A summary of the TFCI’s recommendations are set out in Appendix 1. The sector agrees fully and formally with these recommendations. They are thorough, sensible and achievable. The sector wishes to underscore the need for their implementation by TBS and otherwise across government.

In addition to the Task Force on Community Investment’s recommendations, the sector brought forward recommendations in its Submission to the Parliamentary Committee on Bill C-2: the *Federal Accountability Act*. Imagine Canada, together with 16 other sector organizations, recommended that the Government of Canada should:

- § recognize and fully fund the administrative costs of the organizations it funds, the funded programs, and the transaction costs of funding agreements,
- § re-calibrate the burdensome impact on the community nonprofit sector of the ‘web of rules’ embedded in federal Grants and Contributions practices and re-focus on outcomes that are consistent with the sector’s mandate to its donors, volunteers, and the communities that depend on them,
- § re-focus accountability practices to better balance the need for financial controls and risk-management with the need for measurement of results, and
- § examine the internal cost-to-investment ratios in order to streamline its practices, particularly those related to financial risk management, and to build the program capacity to fund more cost-effectively,

iii) Implementation of Solutions: Service Canada provides a positive example of an organization that has moved forward with streamlining of G&Cs processes under the current Policy on Transfer Payments. Service Canada oversees 55,000 program contracts between the Government of Canada and community nonprofit organizations. The improvements to the G&Cs administrative environment that Service Canada has implemented include:

- a) drafting and execution of an Accountability Framework governing the administration of the funding instruments between the organization and the Sector;
- b) setting up a Joint Steering Committee to ensure compliance under the Framework Agreement;
- c) reducing administrative processes under G&Cs programs;
- d) streamlining the Call for Proposal (CFP) process,
- e) appointing a Fairness Advisor to ensure that conflicts around funding issues can be aired and resolved;
- f) providing for a Fair Practices dispute resolution mechanism, and
- g) undertaking to publish an annual public report on performance under the Accountability Framework.

Similarly, the establishment of the Human Resources Council for the Voluntary/Nonprofit Sector (www.hrcouncil.ca) provides another example of a federal investment in developing the sector's capacity - in the critical area of employees and volunteers - that can have a positive impact if sustained over time.

It is recommended that:

- § the Government of Canada acknowledge the administrative problems identified by recipient organizations in Appendix 2;
- § the Government of Canada encourage departments to follow the Service Canada lead and move forward with the implementation of practical solutions; and
- § the Government of Canada implement the recommendations of the Task Force on Community Investments as set out in Appendix 1 and the recommendations of the Sector in its Submission to the C-2 Committee, which are summarized in section 2.2.2.

2.2.3 ACCOUNTABILITY UNDER G&CS

Canada's community nonprofit sector respects and values the need for financial accountability. The sector's ability to finance its work is directly dependent upon its capacity to convince and demonstrate to individual, corporate and public funders that their investment is money well spent. Public opinion research indicates that the sector has been largely successful in its accountability relationships: a recent Ipsos Reid Survey found that the most Canadian (79%) feel that charities understand the needs of Canadians better than government and 72% think they do a better job of meeting those needs.”²⁸

The sector's capacity to be optimally accountable for program and expenditure outcomes is a measure of the sector's capacity as a whole. In *Making Change*, a 2006 Report of the Voluntary Sector Forum,²⁹ the sector recognized that there were improvements to be made to select accountability capabilities, including communications, knowledge, networking and financial management skills. The sector's ongoing effort to collaborate as a sector and invest in sector-wide strategies, organizations and solutions is an important indication of its willingness to recognize shortcomings within the sector and to move forward with changes. These changes are not, however, enabled through charitable donations and will require public funding to achieve success.

In this context, the sector sees merit in a federal “Accountability Framework” for the sector and was heartened by the Auditor General's statement that, “Treasury Board Secretariat is committed to.... building on the lead role it played in the development of the Voluntary Sector Initiative guidance publication, *A Code of Good Practice on Funding*. “³⁰

²⁸ *Talking About Charities*, Muttart Foundation, (2004).

²⁹ *Making Change: Ideas and Strategies Towards Better Funding for Canada's Nonprofit and Voluntary Sector*. Report of the 'Financing the Voluntary Sector' Project. Voluntary Sector Forum, 2006.

³⁰ Report of the Auditor General of Canada, May 16, 2006, paragraph 6.34

It is recommended that:

- § TBS implement the *Accord Between the Government of Canada and the Voluntary Sector*, and the *Codes of Good Practice on Funding* and on *Policy Dialogue* which were negotiated there under, as part of its standard government-wide accountability practices; and

- § TBS implement the recommendations of the Auditor General of May 2006 Report to:
 - adopt multi-year funding practices (s. 6.61);
 - migrate to a single audit process for recipients of transfer payments from federal programs, as agreed to by TBS (s. 6.64); and
 - streamline application, reporting and audit requirements, as agreed to by TBS (s. 6.68).

2.2.4 ACCESSIBILITY OF G&Cs

The federal government's investment in *MERX* (www.merx.com) provides a constructive Example of a national harmonized one-stop process by which organizations and enterprises across Canada can access information on public sector contracts. *MERX* is a highly coordinated, efficient multi-jurisdictional 24/7 electronic access system that allows small businesses to quickly search through key words or receive email notifications of any contract being tendered by a federal, provincial or municipal government. For example, a human resources consultant or snowplow contractor can quickly learn about all public sector contracting opportunities in their field, review and download the tender documents and apply online. This highly accessible electronic system to support small business contracting stands in marked contrast to the accessibility regime associated with Canadian grants and contracts. The latter is characterized by an almost wholesale lack of coordination among jurisdictions, across departments and even across operating groups within departments. It is a logical extension to use the *MERX* portal to coordinate information relating to G&Cs, as well as contracts, among governments across Canada.

The *MERX* portal, which is overseen by PWGSC, is supplemented by the *Strategis* portal (www.strategis.gc.ca), which is overseen by Industry Canada's Small Business Branch. While the former assists SMEs to interface with Canadian governments on contracting opportunities, the latter assists SMEs to access a wide array of other very helpful government resources.

Other countries have launched portals for their community nonprofit sectors that are similar to Canada's investment in *MERX* and *Strategis* for SMEs. In the US, *Grants.gov* is a federal initiative that was launched as "part of the President's 2002 Fiscal Year Management Agenda" and "the Grants Streamlining Initiative".³¹ Its mandate is "Find. Apply. Succeed". The importance of the *Grants.gov* portal to the US community nonprofit sector is highlighted in a publication of the IBM Center for the Business of Government entitled "*Grant-Making in the 21st Century*".³²

In Australia, the federal government has also launched a similar portal that harmonizes federal, state and even commonwealth grants. *GrantsLink* (www.grantslink.gov.au) "makes it easier to find

³¹ http://www.grants.gov/aboutgrants/about_grants_gov.jsp

³² The publication can be downloaded at:
http://www.businessofgovernment.org/main/publications/grant_reports/details/index.asp?GID=228

suitable and relevant grants for your community projects... and helps you find the best source of funding and assists you to complete application forms”. The Australian federal government has also launched a broader sector portal (www.community.gov.au) that “helps Australian community and community groups find relevant information” and includes a national online directory of community organizations, job postings, skills training programs, and an online resource centre on “building social capital”. These US and Australian portals are cornerstones of sector strategies that recognize that governments must make public funding and related resources accessible to both SMEs and SMOs on a national harmonized basis. Canada is halfway there with its robust *MERX* and *Strategis* websites for the SME sector, and comparable portals are required in respects of grants, contributions and related resources for SMOs.

It is recommended that:

- § The Government of Canada implement a greatly improved system of access to information about G&Cs, including notices, email alert system, key word search capacity, application processes, and posting of policies and guidelines.
- § The access system should harmonize federal, provincial and municipal information and should include an electronic interface through a portal or portals, such as *MERX* and *Strategis* which support Canadian SMEs, and *Grants.gov* and *GrantsLink* which support SMOs in the US and Australia respectively.
- § The access system could be built by expanding existing federal portals, by building a new federal portal, or by further funding an existing sector portal such as the Voluntary Gateway.

2.2.5 ADVISORY SERVICES ON G&Cs

Advisory offices and programs also form part of the institutional framework by which government interacts with small business on funding issues. Three examples are:

- § the Federal Small Business Office at PWGSC³³ assists SMEs to navigate through procurement processes;
- § the Small Business Policy Branch and its *Strategis* portal (www.strategis.gc.ca) at Industry Canada provides information and advisory programs to SMEs on almost any topic; and
- § BDC Consulting, hosts a national network of professional business advisors to help SMEs assess, plan, and implement financing and management solutions.

The above programs have, in turn, been harmonized by the federal government with provincial programs. There is a need for a similar set of harmonized federal-provincial advisory services that form part of the Accessibility strategy for G&Cs described in section 2.2.4.

³³ Public Works and Government Programs Canada

It is recommended that:

- § The Government of Canada implement a harmonized federal-provincial information and advisory services bureau, which would form part of the Accessibility framework identified in section 2.2.4.

3.0 OTHER FINANCIAL INSTRUMENTS

In Part 3, the sector assesses and makes recommendations on financial instruments other than G&Cs to address federal investment objectives for the sector.

3.1 SECTOR ASSESSMENT

3.1.1 An International Perspective

British Conservative Leader David Cameron identifies “a new deal with the voluntary sector” among his Party’s top priorities and states: “I don’t view the voluntary sector in a purely instrumental way, as just another means of delivering public programs, or bypassing local councils. It is not about who can run which programs more efficiently, it’s not about targets and management structures. It’s about attitude and behaviour; it’s about rediscovering our common purpose; our sense of duty; our passion to work together. Conservative activists play a prominent and unsung role in voluntary groups the length and breadth of Britain. [Local] Councils already provide a myriad of grants and support to local groups, from Citizens Advice, to domestic refuges to bowling greens. But we should also look at helping social enterprise, not just social action. In every part of Britain, inspiring social entrepreneurs are pioneering solutions to the complex problems of family breakdown, chaotic home environments, drugs, and low aspiration. We trust them to restore respect, and I want to remove the barriers that stand in the way of their growth and success.”³⁴

In the US, the “third sector” equivalent to Business Week, *Nonprofit Quarterly*, dedicated its 2004 Special Issue to the importance of investing in “infrastructure” to sustain the sector over time. It reports: “There is clear evidence that a healthy infrastructure makes the work of individual nonprofits more effective. This evidence demonstrates that improved sector infrastructure means that grants will be more effective and in some cases far more effective, and that nonprofits function better individually and together and actually improves program outcomes.”³⁵

3.1.2 A Domestic Example: Insurance

Insurance costs provide a widespread and pressing example of an organizational infrastructure issue that is not effectively addressed under G&Cs. Liability insurance costs have become prohibitive for many community nonprofit organizations, especially where their programs involve important but potentially risky elements such as outdoor activities for children with disabilities, half-way houses, emergency shelters, or serving victims of crime.

Similarly, charities are required in law to have a board of directors, yet in the *Cornerstones of Community*³⁶, sector organizations reported that the difficulty of recruiting qualified volunteer directors to their Boards was among the top 5 issues organizations faced. Current funding models often fail to include provision for Directors & Officers (D&O), Errors and Omissions (E&O) or Liability insurance. These organizations face difficulty recruiting Board members and meeting their governance obligations because they cannot afford D&O or E&O insurance, which can expose board members to personal liability for the errors or omissions of the organization as a whole.

³⁴ See http://www.conservatives.com/tile.do?def=news.story.page&obj_id=130038&speeches=1 May 2006.

³⁵ See <http://www.nonprofitquarterly.org/section/496.html>.

³⁶ *Cornerstones of Community*, Statistics Canada, 2005 Catalogue 61-533-XPE.

Insurance costs are just one of the many systemic barriers to sustainability that this sector faces. Recommendations for investing in people, productivity and performance through instruments other than the current G&Cs follow.

3.2 SECTOR RECOMMENDATIONS

The sector's recommendations are divided into 2 broad parts. In the first part, the sector calls for a Joint Examination of well-established federal funding instruments in use in other sectors including an overarching Federal Investment Framework for the sector supported by investment instruments such as endowed funds, and new or existing crown agencies. In the second part, the sector recommends continued use of instruments in addition to G&Cs including tax measures and public sector procurement.

I. JOINT EXAMINATION OF THE APPLICATION OF INSTRUMENTS IN USE IN OTHER SECTORS

3.2.1 A Federal Investment Framework for the Sector

3.2.2 Investment Instruments

II. CONTINUED USE OF OTHER ESTABLISHED INSTRUMENTS

3.2.3 Tax Measures

3.2.4 Public Sector Procurement.

I. JOINT EXAMINATION OF INSTRUMENTS IN USE IN OTHER SECTORS

3.2.1 A FEDERAL INVESTMENT FRAMEWORK FOR THE SECTOR

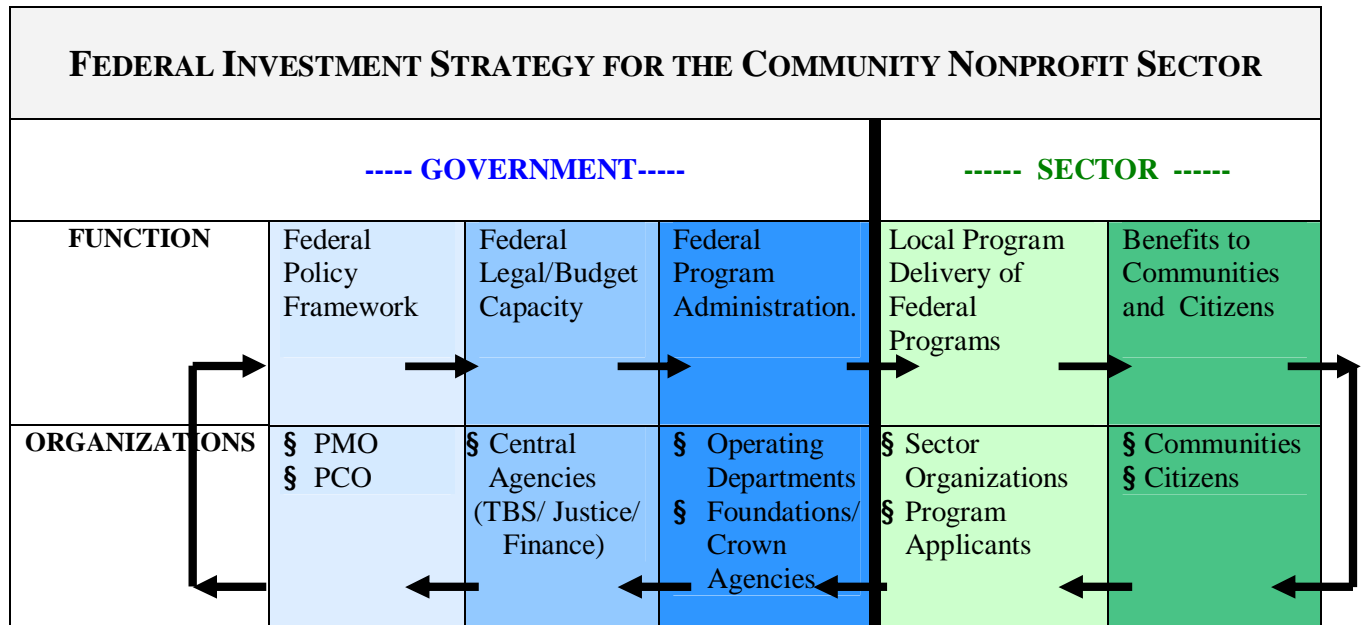
Sector strategies are well-established federal instruments for addressing systemic barriers - such as access to insurance - that tend to undermine the sustainability of competitiveness of a sector as a whole. For example, Canadian small businesses address insurance barriers in the private market through specialized sector investment programs and insurance products offered through EDC. By contrast, community and nonprofit sector organizations have had to lay off program staff and eliminate some of their most frontline programs in the face of rising insurance costs that are insufficiently supported by donations or current federal funding instruments.

Government has a sector investment strategy for almost every sector other than the community nonprofit sector, such as fisheries, forestry and automotive manufacturing, many of which are a fraction of the size and have a fraction of the economic impact of this sector. Those strategies are, in turn, supported by crown corporations, granting councils, foundations, and investment instruments, a sampling of which is listed in Section 1.2 above, together with extracts from their enabling legislation which make it clear that these agencies exist to invest in and support the SME sector.

The sector notes that the current "crisis" in the administration of G&Cs - sparking criticism by the Auditor General and high-profile reviews - flows almost inevitably from the lack of an overarching sector investment framework consistent with those that are well established for other sectors. Part of fixing the G&Cs crisis must include a Sector Investment framework for the sector consistent with those in place for other sectors.

The Voluntary Sector Initiative (VSI)³⁷ was a good initial step toward gathering the information required to inform a sector investment framework. The VSI, which carried out work over a 5-year period ending in 2005/06, consisted of 7 “joint tables” and 2 sector-only working groups, one of which was on financing the sector. The VSI played a necessary role in measuring and understanding the sector as one of the important economic segments in Canadian society.

Building on the investment in the VSI, the following chart illustrates the processes, functions and organizations that might be involved in now developing and ever-greening a sector investment framework:



It is recommended that:

- § the Government of Canada commit to the joint development of a Federal Investment Framework for the sector that is consistent with the framework, strategies, and funding instruments that the Government has adopted for other industry sectors and, in particular, the SME sector.

3.2.2 INVESTMENT INSTRUMENTS

It is critical that any sector investment framework be enabled by investment instruments. Grants and contributions should form an important part of a balanced bundle of investment instruments. Other instruments should be well-established and in use in other sectors. Examples of such instruments in use in the SME sector have been identified in Section 1.2. They include crown agencies, endowed funds, granting councils, foundations, lending institutions and other instruments.

³⁷ See www.vsi-isbc.ca for more information on the VSI

In some instances, instruments aimed exclusively at this sector may be most appropriate. Some are already in existence and only require renewal. For example, the Canadian Volunteerism Initiative (CVI) at the Department of Canadian Heritage is an example of a long-term and significant funding instrument that is open for renewal in 2007 and would be an important element in a sector investment framework. In other instances, the mandates of existing agencies or programs can be expanded to address community nonprofit sector needs as well. For example, BDC's mandate could be expanded to include seed capital or lending instruments that enable investments in projects that build "social capital" and provide "returns to communities" to complement BDC's suite of offerings that build "financial capital for small business owners" and "shareholder returns".

Examples of financial instruments that are used in Canada and other jurisdictions to enable investments in the community nonprofit sector include:

- § Granting Councils, which are well-established within the University and the Arts sub-sectors e.g. the Canada Council on the Art and the Social Sciences and Humanities Research Council (SSHRC);
- § Foundations and Funds e.g. the Trillium Foundation of Ontario, the Wild Rose Foundation of Alberta, and the Autonomous Community Action Fund of Québec (*Fond d'aide à l'action communautaire autonome du Québec*³⁸); and
- § Lending Institutions e.g. The Charity Bank (UK), Tridos (Europe), ShoreBank (US) and Canada's proposed Vartana Bank.

Key investment considerations that would be subject to such a joint examination include the Investment Mandate; the Size and Scope of the Investment; and Governance Models, as follows:

- i) **Investment Mandate:** The mandate of investment instruments for the sector should be to address longer-term capital funding needs, as opposed to operational needs. These capital needs fall outside the scope of the more "episodic" funding model associated with G&Cs and include investments in human capital, physical capital, IT capital and infrastructure capital, such as:
 - § **Human Resources:** Recruitment, retention, compensation, pension and benefits, and training of volunteers and staff;
 - § **Insurance:** Developing alternatives to commercial insurance;
 - § **Facilities:** Facilities maintenance and retention;
 - § **IT:** Technology framework, PCs, software, and telecom systems to support program delivery expectations; and
 - § **Infrastructure Organizations:** Self-regulating and standard-setting bodies, and research and shared programs secretariats that facilitate aggregation and efficiencies, as are commonplace in other sectors.

³⁸ See http://www.formulaire.gouv.qc.ca/cgi/affiche_doc.cgi?dossier=5658&table=0

- i) **Size and Scope of Investments made through such Instruments:** Sector investment instruments should be designed to enable significant and longer term investments that complement G&Cs. Provincial foundations serve as one potential yardstick: the Trillium Foundation of Ontario distributes approximately \$100M per year into communities in that Province while the Wild Rose Foundation is one of a cluster of Alberta Government Foundations that together spend approximately the same amount as Trillium on a *per capita* basis. A similar sized foundation on a national scale would support annual funding of about \$500M/ year. At the federal level, the CVI³⁹, which is perhaps the single largest existing federal investment instrument for the sector invests in the range of \$5 -10M/ year.
- ii) **Governance Models associated with Investment Instruments:** Instruments used to invest *in* sectors, as opposed to carrying out program objectives *through* sectors, tend to draw upon arms-length and joint governance models. G&Cs are largely used to achieve program objectives and therefore tend to be governed through internal federal guidelines, policies and personnel. By contrast, significant investment initiatives such as granting councils, foundations and crown agencies, tend to have arms-length governance structures that include sector representation. The BDC is an example of an investment vehicle that focuses on the SME sector and includes sector representatives in its governance model. Similarly, Ontario's Trillium Foundation and Quebec's Autonomous Community Action Fund (*Fond d'aide à l'action communautaire autonome du Québec*), which use lottery funds to complement G&Cs and departmental programs, have joint governance structures.

It is recommended that:

- § The Government of Canada commit to a joint examination of instruments in use in other sectors to support federal investment in Canada's community nonprofit sector.

CONTINUED USE OF ADDITIONAL ESTABLISHED INSTRUMENTS

3.2.3 TAX MEASURES

Tax measures are another established federal instrument for achieving investment objectives for or within a sector. The sector applauds the measures to eliminate Capital Gains tax on donations of listed stock and certain lands to registered public charities, which were included in Budget 2006, together with the commitment to extend the measure to gifts to private foundations if certain conditions can be met. Such tax measures are important building blocks.

There is no doubt that tax measure play a highly stimulative effect in driving private 'investment' in select charitable activities⁴⁰. More favourable US tax policies are widely viewed as one of the reasons why Americans have higher levels of charitable giving than Canadians. More than ½ of Canadian donors say they would contribute more to their communities if the government provided

³⁹ Canadian Volunteerism Initiative (CVI), Heritage Canada. See p. 22 above

⁴⁰ For example, in 1997, the taxable portion of capital gains on publicly traded securities donated to charities and public foundations was reduced to 50% on a 5-year trial basis. The Department of Finance reported a threefold increase - from \$69M to over \$200M - in donations of securities to charities in the following 3-year period, from 1997 to 2000. In 2006, the taxable portion of the gain was eliminated in full. Tens of millions of dollars in share value has been donated in the weeks and months following this Budget measure.

them with an enhanced tax incentive for giving. And those who give the most are also the most likely to say that they would contribute more.⁴¹

Recipient organizations often must, in law, be registered charities⁴² or registered public charities which represent fewer than 50% of nonprofit corporations and less than 10% of the broader community nonprofit organizations, as broadly defined⁴³. Charitable donations by individual Canadians account for 11% of funding to Canada's 80,000 registered charities and 8% of funding to all nonprofit and charitable organizations, leaving over 90% of funding dependent on other sources. Therefore, while the use of tax measures to stimulate charitable donations are a critical part of any bundle of funding measures for the sector, tax measures alone cannot fully address the sector investment imperative.

It is recommended that:

§ Federal tax measures continue to be used to stimulate charitable donations and form part of the bundle of financial instruments used by the federal government to achieve sector investment objectives.

3.2.4 PROCUREMENT:

In 2003, federal funding to the community nonprofit sector in the form of payment for goods and services through federal procurement contracts was \$1.6B, being 21% of total federal funding to the sector. Currently, federal procurement is the principal instrument other than G&Cs by which the federal government provides funding to the community nonprofit sector. Therefore, it is essential that further consolidation of the federal purchasing power, which tends to greatly favour large organizations over small, does not effectively lock Canada's third sector out of the federal multi-billion dollar contracting environment.

In its submission to the Bill C-2 Legislative Committee on the *Federal Accountability Act*, Imagine Canada and 16 other sector organizations thanked the Government of Canada for including in the Bill a legislative commitment to fairness in its procurement practices. The sector argued, however, that further consolidation of the government's purchasing power may be inconsistent with the fairness principle insofar it results in contracting practices that favour larger enterprises: "Canada's community nonprofit sector is the preferred government delivery agent for a wide variety of programs and services. The migration to large national single vendor competitive processes would undermine these community-based program delivery partnerships."⁴⁴

It is recommended that:

§ Federal procurement be recognized as one of the important financial instruments by which the government supports small and medium organizations (SMOs) and enterprises (SMEs)

⁴¹ CSGVP, 2004 p.28

⁴² This is the case with measures to eliminate capital gains on gifts of listed stock to registered charities.

⁴³ The number of organizations in the sector includes approximately 80,000 registered charities, 80,000 incorporated not-for-profit corporations (that are not registered charities) and 750,000 unincorporated organizations.

⁴⁴ *Submission to the Legislative Committee on Bill C-2: The Federal Accountability Act*, Imagine Canada, 2006, p. 8.

and that further consolidation of the multi-billion dollar federal purchasing power must not effectively preclude participation by Canada's third sector.

RECOMMENDATIONS

1. FEDERAL FUNDING OBJECTIVES FOR THE SECTOR

1.1 PROGRAM DELIVERY THROUGH THE SECTOR

It is recommended that:

- § To the extent that the policy objective underlying the Grant or Contribution is the delivery of federal programs through the community nonprofit sector:
 - i) the terms and conditions under the G or C must be sufficiently flexible to recognize the professional competencies of the program provider and to enable local or client-specific interpretation of the program mandate; and
 - ii) the funding levels under the G or C must reflect the full cost of program delivery and be paid on a full cost-recovery basis.

1.2 FEDERAL INVESTMENT IN THE SECTOR

It is recommended that:

- § the Government of Canada commit to the joint development of a long-term federal investment framework for the sector, consistent with the mandate and “partnership” commitments of the Small Business Policy Branch to the SME sector; and
- § the Investment Framework incorporate well-established and complementary federal funding instruments in addition to G&Cs that are used to facilitate investment strategies for other sectors and, in particular, the SME sector.

2. GRANTS AND CONTRIBUTIONS

2.1 AMOUNTS PAYABLE UNDER G&Cs

It is recommended that:

- § the amounts payable under G&Cs for program delivery should reflect full cost recovery; and
- § additional federal objectives to support investment in the sector should serve to increase and not decrease the amount of the G&C.

2.2 ADMINISTRATION OF G&Cs

It is recommended that:

- § the Government of Canada acknowledge the administrative problems identified by recipient organizations in [Appendix 3](#);
- § the Government of Canada encourage departments to follow the Service Canada lead and move forward with the implementation of practical solutions; and

- § the Government of Canada implement the recommendations of the Task Force on Community Investments as set out in Appendix 1 and the recommendations of the Sector in its Submission to the C-2 Committee, which are summarized in section 2.2.2.

2.3 ACCOUNTABILITY UNDER G&CS

It is recommended that:

- § TBS implement the *Accord Between the Government of Canada and the Voluntary Sector* and the *Codes of Good Practice on Funding* and on *Policy Dialogue* as part of its standard government-wide accountability practices; and
- § TBS implement the recommendations of the Auditor General of May 2006 to:
- adopt multi-year funding practices (s. 6.61);
 - migrate to a single audit process for recipients of transfer payments from federal programs, as agreed to by TBS (s. 6.64); and
 - streamline application, reporting and audit requirements, as agreed to by TBS (s. 6.68).

2.4 ACCESSIBILITY TO G&CS

It is recommended that:

- § The Government of Canada implement a greatly improved system of access to information about G&Cs, including notices, email alert system, key word search capacity, application processes, and posting of policies and guidelines.
- § The access system should harmonize federal, provincial and municipal information and should include an electronic interface through a portal or portals, such as *MERX and Strategis* which support Canadian SMEs, and *Grants.gov* and *GrantsLink* which support SMOs in the US and Australia respectively.
- § The access system could be built by expanding existing federal portals, by building a new portal, or by further funding to a sector portal such as the Voluntary Gateway.

2.5 ADVISORY SERVICES ON G&CS

It is recommended that:

- § the Government of Canada implement an information and advisory programs bureau to form part of an Accessibility strategy identified in section 2.2.4.

3. OTHER FINANCIAL INSTRUMENTS

I. JOINT EXAMINATION OF FINANCIAL INSTRUMENTS USED IN OTHER SECTORS

3.1 A FEDERAL INVESTMENT FRAMEWORK FOR THE SECTOR

It is recommended that:

- § the Government of Canada commit to a joint examination of instruments in use in other sectors to support federal investment in the sector, including a Federal Investment Framework for the sector, through ongoing and collaborative processes, that is increasingly consistent with the framework, strategies, and funding instruments that the Government has adopted for other industry sectors and, in particular, the SME sector.

3.2 INVESTMENT INSTRUMENTS

It is recommended that:

- § The Government of Canada commit to a joint examination of instruments in use in other sectors to support federal investment in Canada's community nonprofit sector.,

II. CONTINUED USE OF ADDITIONAL FINANCIAL INSTRUMENTS

3.3 TAX MEASURES

It is recommended that:

- § federal tax measures continue to be used to stimulate charitable donations and form part of the bundle of financial instruments used by the federal government to achieve investment objectives for the sector.

3.4 PROCUREMENT

It is recommended that:

- § federal procurement is recognized as one of the important financial instruments by which the government supports small and medium organizations (SMOs) and enterprises (SMEs) and that further consolidation of the multi-billion dollar federal purchasing power must not effectively preclude participation by Canada's third sector.

APPENDICES

INDEX TO APPENDICES

Appendix 1 - Recommendations of the Task Force on Community Investments

Appendix 2 - Findings of a Sector Working Group on the Administration of G&Cs

Appendix 3 - Overview of Organizations participating in this Brief

APPENDIX 1

RECOMMENDATIONS OF THE TASK FORCE ON COMMUNITY INVESTMENTS

INDEX

Opportunities for Improvement

- § Administration: Recommendations 1 - 18
- § Policy: Recommendations 19 - 32
- § Infrastructure: Recommendations 33 - 39

OPPORTUNITIES FOR IMPROVEMENT: ADMINISTRATION

- 1) Developing class (or “umbrella”) terms and conditions for funding programs to integrate similar programming objectives into an overarching program design would streamline programming and improve outcome-based investments.

- 2) Establishing clear flexibility and innovation provisions in all terms and conditions to facilitate:
 - a) experimentation;
 - b) capacity building;
 - c) joint collaboration across programs, departments and jurisdictions;
 - d) unique, community-driven initiatives; and
 - e) emerging issues,would provide flexibility, foster interoperability between programs and increase opportunities for community-based responses.

- 3) Collapsing Results-Based Management Accountability Frameworks (RMAFs) and Risk-Based Audit Frameworks (RBAFs) into a single document would enable departments and agencies to streamline their processes and examine risk management strategies in the context of outcome development.

- 4) Developing RBAF and RMAFs “in house” through a consultative process involving internal and external stakeholders would promote a better departmental understanding of risk factors, mitigation strategies and desired outcomes.

- 5) Focusing program design, implementation and monitoring on the principle of a risk continuum that takes into account agreement-specific considerations would enable departments to concentrate their resources on transactions with the highest risk and thereby reducing administrative burden in the department and on organizations that are functioning well.

- 6) Performing random audits - based on the annual financial cycle of the recipient organization and equalling no more than 10% of recipients per annum (unless the dollar amounts are exceptionally high or there is demonstrable and documented reason for concern) would reduce administrative burden for both departments and organizations while focussing resources on high risk transactions

- 7) Modifying operational practices to clarify that project audits are a financial monitoring function, one that:
- a) recipients must respect; and
 - b) can be financed through funding agreements with recipients, would clarify the audit function and encourage independent assessment of organizational financial performance.
- 8) Modifying operational practices to clarify that program evaluations are a corporate function [and] one that:
- a) recipients should support; and
 - b) are to be financed by government but outside funding agreements with recipients, would clarify the evaluation function and enhance departmental learning and program design.
- 9) Modifying policy development, program design and evaluation practices to ensure that evaluations measure program-related outcomes as opposed to agreement-specific activities would ensure that departments are measuring the effectiveness of the investments in achieving social outcomes.
- 10) Reducing the number of cost categories in funding agreements and permitting recipients to move a fixed percentage between cost categories, without the need for justification or prior departmental approval, would reduce micromanagement and administrative burden, and enhance flexibility for organizations.
- 11) Negotiating program approval to use unspent funds for activities consistent with the program objectives - following the satisfactory completion of the agreement - would encourage efficiencies and leverage committed dollars for enhanced programs.
- 12) Developing methodologies to measure internal cost-to-disbursement ratios would help to focus the streamlining of administrative practices in departments and agencies and increase the government's transparency in the monitoring of transaction costs.
- 13) Accepting as a common management practice to delegate funding decision-making to the lowest practicable level of authority, including regions where appropriate, would foster stronger relationships at the local level and improve timeliness of approvals.
- 14) Concluding multi-year funding agreements with recipients (unless clear, documented reasons can be presented to justify the contrary) subject to annual appropriations by Parliament would provide stability in the sector and reduce transaction costs for the Government of Canada.
- 15) Reserving a portion of their annual appropriations for transfer programs to respond to year-to-year opportunities would enable departments to invest in community-based innovative projects, emerging issues and strategic capacity building initiatives.
- 16) Developing transition policies for transfer payment programs in the event of termination of funding, ones that include provisions to address:
- a) staff layoffs (including collective agreement conditions);
 - b) knowledge transfer to other organizations; and

c) maintenance of client programs would recognize the costs to communities of government funding changes and protect client program.

17) Instituting an engagement process in departments and agencies with major transfer payment programs that seeks views from both internal and external stakeholders on the full life-cycle of their funding programs, including:

- a) policy development;
- b) program design;
- c) implementation practice; and
- d) audit and evaluation,

would improve program design and implementation practices.

18) Renewing Accord and Codes implementation strategies in all departments with major transfer payment programs or policies related to the non-profit voluntary sector would improve program design and recognize the importance of the government-sector relationship.

OPPORTUNITIES FOR IMPROVEMENT: INFRASTRUCTURE

19) Establishing a Centre of Excellence on Funding Practice, one that would:

- a) expand the knowledge base on funding practice;
 - b) facilitate effective program design for transfer payment programs; and
 - c) promote outcomes-based evaluation practices,
- should focus improvement in government departments' ability to learn and improve funding program design and practice

20) Establishing an advisory board for the Centre of Excellence comprised of a range of Government of Canada funding practitioners, private sector and provincial funders, and voluntary sector funding recipients should provide a range of expertise to inform the tasks of the Centre.

21) Developing a range of government-wide training programs on the PTP and related funding practices should permit TBS and the Canada School for the Public Program to assist departments to maintain skill levels of program staff in light of frequent staff turn over.

22) Designing these programs to target all implicated public servants, including, but not limited to program officers, comptrollers, audit and evaluation personnel, and senior managers responsible for the administration of transfer payment programs, should increase understanding and ability to implement good funding program designs across all levels of departmental functions.

23) Offering these programs on an ongoing basis, both in the National Capital Region and across Canada, and constantly updating them as policies or practices evolve should develop more coherent and accountable approaches to funding programs.

24) Undertaking ongoing "in house" training programs within departments to ensure that all implicated staff, from bottom to top, are fully versed in departmental policies and practices, with a

particular focus on client-based approaches, should permit TBS and line departments to improve their ability to design, approve and implement good funding programs.

25) Creating a government-wide position of Ombudsman to monitor fairness challenges facing the administration of grants and contributions and arbitrate grievances that cannot be resolved through the normal funding process should provide greater accountability and transparency, provide opportunities for learning and improve funding practice.

26) Building on the 2003 National Survey of Non-profit and Voluntary Organizations and refining its methodologies should enable Statistics Canada to provide Canadians with regular reporting on the state and nature of the voluntary, non-profit sector, thereby building awareness of the sector's importance.

27) Convening an annual national pan-Canadian roundtable, hosted by the Government of Canada - to include government and sector representatives, to discuss issues affecting the non-profit voluntary sector, should build stronger relationships and knowledge about government-sector relations.

28) Developing a common, government-wide investment management system for all transfer payment programs should provide the Government of Canada with a more coherent picture of its investment practices, foster greater interoperability and encourage greater horizontal programming

29) Clarifying with the Office of the Privacy Commissioner the privacy issues related to the sharing of recipient information between departments, should ensure that relevant information about investments is available across government in order to promote opportunities for horizontality.

30) Using the portal to standardize the application processes across transfer payment programs should reduce the administrative burden for applicant and departments.

31) Using the proposed common portal to educate the public and funding recipients on government of Canada financial management practices should simplify the application process and increase compliance with reporting standards.

32) Developing a proactive and effective communications strategy to communicate government of Canada financial management policies to the general public and funding recipients should improve sector understanding of government requirements and foster greater transparency and accountability.

OPPORTUNITIES FOR IMPROVEMENT: POLICY

33) Restricting the use of grants to their original purpose, as unencumbered (and not auditable) "gifts of the crown", could address contemporary expectations with respect to public accountability and transparency.

34) Eliminating the remaining sub-gradations of grants and contributions (conditional grant; contribution to an international organization; contribution; repayable contribution) in favour of a single, adaptable contribution instrument, within which particular program elements are spelled out in the program terms and conditions, and program implementation is predicated on a genuine continuum of

risk assessment, could simplify funding practices, strengthen program design and promote greater accountability and transparency

35) Clarifying the policy, operational and legal distinctions between transfer payments and contracts, and providing guidance on when a transfer payment should be used versus a contract, could streamline funding practice and ensure greater accountability and transparency.

36) Modifying contracting practices to facilitate access to government procurement by not-for-profit entities could increase opportunities for voluntary, nonprofit organizations to diversify their revenue base.

37) Including mandatory harmonized audit provisions in the PTP and implementing the necessary information-sharing mechanisms to achieve this requirement could permit TBS to ensure greater audit consistency and coherence across government and reduce duplicative burdens on departments and recipients.

38) Building on the horizontal foundations laid out in this report e.g. more streamlined funding instruments, class / flexible terms and conditions, Centre of Excellence and Ombudsman, etc. to build the frameworks, policies and mechanisms to implement true horizontal funding practices (including any necessary legislative amendments to clarify concepts of ministerial accountability) could permit TBS to advance a more holistic, responsive and coordinated approach to community investments.

39) Engaging in additional research and consideration could be undertaken as to whether a foundation might be an appropriate model to contribute to the sustainability needs of the voluntary, nonprofit sector, including support to improve:

- 1) human resource abilities;
- 2) information management;
- 3) financial diversification;
- 4) innovation;
- 5) knowledge sharing and networking; and
- 6) horizontal collaboration and partnerships.

APPENDIX 2

FINDINGS OF THE SECTOR WORKING GROUP ON ADMINISTRATION OF G&Cs⁴⁵

The Need for Funding Relationships:

“Organizations did not feel that partnerships were being created. Each application is treated as a new application. No recognition is being made to past applications/performance. There is no fast track for those who have proven themselves with HRSDC. There should be a long term/ongoing relationship between HRSDC and these organizations. Staff are often changed mid-stream which further delays and confuses funding negotiations/arrangements.”

The Need to reduce the Administrative Burden of the Application Process:

“The application process has a very heavy administrative burden. For most organizations, and in particular the smaller ones who have very limited resources at their disposal, this burden is bringing into question their ability to participate in the program(s).”

“There is often significant time delays in processing applications and local offices do not appear to have the authority to approve applications under \$500,000. Regional offices return applications for clarifications and which adds further time restraints. Many examples were given of applications which took over 12 months for approvals and one which was a refunding application took over 14 months (this had been previously approved 3 times).”

The Inflexibility under current G&Cs to address Regional or Rural vs. Urban differences:

“The process is standardized and there is no consideration given for the differences that occur between rural and urban organizations. For example, in [rural] Ontario there is no transportation system outside the urban centres so the delivery of programs and programs must be taken to the client – expecting the client to come to the program is often impossible. Transportation falls under provincial legislation and efforts must be made to address this. In such cases HRSDC must recognize that there will be requests for additional mileage costs on applications.”

The Impact of federal Personnel and Policy Changes:

“HRSDC changes its focus and the rules far too often. There is no grandfathering, so if you are in the middle of an application and the rules change the project is lost. This is particular frustrating to both the agencies and the local HRSDC staff.”

The Difficulty of addressing the need for Multiple Funding Partners:

“It becomes particularly awkward when HRSDC is one of a group of funding partners in regard to collaborations – especially when the other partners agree and then find out the government has changed the rules and then decline.”

The Need to Recognize Overhead and Administrative Costs in the amount of the G or C:

“Perhaps HRSDC could change their method of handling of administrative cost to a management fee or fee for programs or a percentage of the total application. Many funders now accept a flat 10 – 15% for administrative expenses.”

⁴⁵ Findings from the Peterborough consultation in *Program Management Review: Grants & Contributions. Final Report*. Capgemini Report for Human Resources and Skills Development Canada (2004).

The Need for Consistency in Administrative Practices:

“There is inconsistency with HRSDC in the management of the processes. In addition the rules that HRSDC follow in regards to government grants often is different from other federal government departments.”

The Need to Focus on Citizen and Community Outcomes:

“The question of changing the process to look at program outcomes rather than activities was raised. Most funders are now more interested in knowing that their contributions are making a difference and outcomes will help support this.”

“HRSDC needs to consider program to clients, uniqueness of client base and the continuity of care when looking at funding.”

The Need for Stability and Multi-Year Funding:

“Funding stability and multi-year funding is important.”

The Impact of Short-Term Financial Instruments on Human Resources Management:

“The method of funding at the present time makes staff retention difficult for organizations. Good staff often leave while they wait to hear if approvals have been given. A challenge is that when they leave, they often leave the area which creates a shortage of skilled/trained personnel in rural Canada.”

“Professional development is an area of concern and when asked to explain what training will be used 2 or 3 years down the road, these specifics may not yet be known.”

APPENDIX 3 OVERVIEW OF ORGANIZATIONS PARTICIPATING IN THIS BRIEF

ASSOCIATION OF FUNDRAISING PROFESSIONALS (AFP)

The AFP represents more than 27,000 members in 180 chapters in the United States, Canada, Mexico, and China working to advance philanthropy through advocacy, research, education, and certification programs.

Contact: Susan Mullin, Chair – Government Relations Committee, 900-275 Slater Street, Ottawa, Ontario, K1P 5H9, phone: (613) 236-0658, e-mail: mullins@yorkfoundation.yorku.ca

CALGARY CHAMBER OF VOLUNTARY ORGANIZATIONS (CCVO)

The CCVO is a local organization that works to strengthen Calgary's voluntary sector and takes a leadership role on policy issues affecting the sector as a whole. CCVO has over 240 members including nonprofits and charities of all sizes from across the sector, government, businesses and individuals.

Contact: Katherine van Kooy, President and CEO, Kahanoff Centre, 940-1202 Centre Street SE, Calgary, Alberta T2G 5A5. Phone: (403) 261-6655 email: kvk@calgarycvo.org

CANADIAN CONFERENCE OF THE ARTS (CCA)

The CCA is a non-partisan, non-profit cultural advocacy organization. We provide a national forum for debate on cultural policy and are the leading national advocate for Canada's artists and cultural institutions and industries.

Contact: Alain Pineau, National Director, 804 -130 Albert Street, Ottawa, Ontario, K1P 5G4. Phone: (613) 238-3561 ext. 12, e-mail: alain.pineau@ccarts.ca

CANADIAN COUNCIL OF CHRISTIAN CHARITIES (CCCC)

The CCCC is an umbrella association of over 2,700 Christian churches, denominations and independent charities. It provides the necessary products and services to enable them to be effective and efficient in the administration of their charitable work.

Contact: John Pellowe, Chief Executive Officer, 1-21 Howard Avenue, Elmira, Ontario, N3B 2C9, phone: (519) 669-5137, e-mail: john.pellowe@cccc.org

CANADIAN COUNCIL FOR INTERNATIONAL COOPERATION (CCIC)

The CCIC is a coalition of Canadian voluntary sector organizations working globally to achieve sustainable human development. The Canadian Council for International Co-operation seeks to end global poverty, and to promote social justice and human dignity for all.

Contact: Esperanza Moreno, Deputy Director, 300-1 Nicholas Street, Ottawa, Ontario, K1N 7B7. Phone: (613) 241-7007 ext. 307, e-mail: emoreno@ccic.ca

CANADIAN COUNCIL ON SOCIAL DEVELOPMENT (CCSD)

CCSD is a non-profit social policy and research organization focusing on issues such as poverty, social inclusion, disability, cultural diversity, child well-being, employment and housing.

Contact: Peter Bleyer, President, 100-190 O'Connor Street, Ottawa, Ontario K2P 2R3, phone: (613) 236-8977, e-mail: bleyer@ccsd.ca

CANADIAN ENVIRONMENTAL NETWORK (CEN)

The CEN is an independent, non-partisan organization. It does not take positions on environmental issues. Rather, the CEN actively encourages and supports those who take part in public consultation processes, participate in working groups, or who are delegates to national and international conferences. More and more federal government departments favour the CEN's delegate selection process because it is transparent, bilingual, and supported by the environmental community for its unparalleled and effective voice for reaching policy makers.

Contact: Brigitte Gagné, Executive Director, 300-945 Wellington Street West, Ottawa, Ontario, K1Y 2X5, phone: (613) 728-9810, e-mail: brigitte@cen-rce.org

CANADIAN FEDERATION OF VOLUNTARY SECTOR NETWORKS (CFVSN)

The CFVSN's mission is to support and promote the significant contributions of Canadian voluntary organizations to community vitality by growing and strengthening sub-sectoral local, regional, provincial and territorial voluntary sector networks.

Contact: Paula Speevak Sladowski, 1125 Colonel By Drive, Dunton Tower, Room 2020 Ottawa, Ontario, K1S 5B6, phone: (613) 520-2600 ext.1835, e-mail: speevaksladowski@sympatico.ca

CANADIAN IMMIGRANT SETTLEMENT SECTOR ALLIANCE (CISSA)

The Canadian Immigrant Settlement Sector Alliance (CISSA) is the national voice of the settlement sector representing 450 settlement and refugee agencies from across Canada. CISSA captures the issues and the expertise of the immigrant settlement sector, and works to build a Canadian society in which all immigrants and refugees are able to participate fully.

Contact: Jim Gurnett, Vice-Chair, 121-219 Argyle Avenue, Ottawa, Ontario, K2P 2H4, phone: (613) 787-7788, e-mail: jim.gurnett@cissa-acsei.ca

COMMUNITY FOUNDATIONS OF CANADA (CFC)

CFC is the national membership organization for the 150+ community foundations found in cities, towns and rural areas across Canada. CFC was founded in 1992 to connect and support the country's growing community foundation movement.

Contact: Monica Patten, President and CEO, 301-75 Albert Street, Ottawa, Ontario, K1P 5E7, phone: (613) 236-2664, e-mail: mpatten@community-fdn.ca

COMMUNITY SERVICES COUNCIL OF NEWFOUNDLAND AND LABRADOR (CSCNL)

The Community Services Council of Newfoundland and Labrador is an independent organization promoting social and economic well-being. Our goal is a prosperous and inclusive society that supports individuals, families and communities. The mission of CSC is to encourage citizen engagement, to promote the integration of social and economic development and to provide leadership in shaping public policies.

Contact: Penelope Rowe, Chief Executive Officer, Virginia Park Plaza, Newfoundland Drive, Suite 201, St. John's, Newfoundland, A1A 3E9, phone: (709) 753-9860, e-mail: pennyrowe@csc.nf.net

COUNCIL FOR BUSINESS AND THE ARTS IN CANADA (CBAC)

The CBAC is the national association of business leaders who support the arts. CBAC's purpose is to increase private sector support of the arts and to help make partnerships between the private sector and the arts more effective.

Contact: Billie Bridgman, President & CEO, 903-165 University Avenue, Toronto, Ontario, M5H 3B8. Phone: (416) 869-3016 ext. 224, e-mail: b_bridgman@businessforarts.org

FAMILY SERVICE ASSOCIATION OF TORONTO (FSA)

Family Service Association of Toronto (FSA) helps people dealing with a wide variety of life challenges. For over 90 years, we have been assisting families and individuals through counselling, community development, advocacy and public education programs. Our services are available to everyone who lives or works in Toronto.

Contact: Yves Savoie, Executive Director, 355 Church Street, Toronto, Ontario, M5B 1Z8, phone: (416) 595-4038, e-mail: yvessa@fsatoronto.com

FIRST NATIONS CHILD AND FAMILY CARING SOCIETY (FNCFCS)

The FNCFCS value and promote the holistic knowledge and practices that support the sharing of national First Nations communities to love, respect and nurture First Nations children, young people, families, communities and nations.

Contact: Cindy Blackstock, Executive Director, 1001-75 Albert Street, Ottawa, Ontario, K1P 5E7, phone: (613) 230-5885, e-mail: cblackstock@fncfcs.com

HEALTH CHARITIES COALITION OF CANADA (HCCC)

The HCCC is a collective voice that represents the majority of Canada's leading national health charities. It is committed to strengthening the health system, to increasing the voluntary sector's ability to monitor and influence public policy and to increasing research funding in Canada.

Contact: Ms. Deirdre Freiheit, Executive Director, 1402-222 Queen Street, Ottawa, Ontario, K1P 5V9, phone: (613) 794-5677, e-mail: dfreiheit@healthcharities.ca

IMAGINE CANADA

Imagine Canada is the former Canadian Centre of Philanthropy and National Coalition of Voluntary Organizations. It supports Canada's charities, nonprofit organizations and socially conscious businesses and champions the work they do in our communities. Through its Imagine Caring Companies™ Program, Imagine Canada also encourages Canadian corporations to contribute by committing 1% of their pre-tax earnings to charities.

Contact: Ms Georgina Steinsky-Schwartz, President, 450 University Avenue, Toronto, Ontario, K1P 5G4. Phone: (800) 263-1178 ext. 222, e-mail: georgina@imaginecanada.ca

NATIONAL ANTI-POVERTY ORGANIZATION (NAPO)

NAPO is a non-profit, non partisan organization that represents the interests of low-income people in Canada. NAPO works for the eradication of poverty in Canada by ensuring the concern of low-income people are reflected in federal policy and decision making, defending the human and economic rights of low-income people, assisting local and regional organizations to bring voices of low-income people in Canada to decision making and policy making processes in their communities.

Contact: Debbie Frost, President, 1210-1 Nicholas Street, Ottawa, Ontario, K1N 7B7, phone: (613) 789-0096, e-mail: stingley@napo-onap.ca

NATIONAL CHILDREN'S ALLIANCE (NCA)

The NCA is a network of 69 national organizations committed to improving the lives of children and youth in Canada. Since its inception in 1996 the Alliance has worked to facilitate dialogue on children's issues with government, strengthen the network of national voluntary organizations and NGOs, develop policy recommendations, engage provincial/territorial/regional constituent organizations in working collaboratively on issues, and promote the development and implementation of a national children's agenda.

Contact: Larry Gemmel, Executive director, 707-331 Cooper St, Ottawa, Ontario, K2P 0G5, phone: (613) 560-5843 ext.229, e-mail: larry@nationalchildrenalliance.com

NIAGARA COLLEGE COMMUNITY LEADERSHIP CENTRE (NCCLC)

The intent of the Centre is to provide a place where anyone involved with the voluntary sector can find resources and opportunities to connect with others who share similar questions, needs, issues and solutions. The Centre for Community Leadership serves as a one-stop resource centre supporting the voluntary sector.

Contact: Brenda Herchmer, Manager, 300 Woodlawn, Welland, Ontario, L3C 7L3, phone: (905) 735-2211, e-mail: bherchmer@niagarac.on.ca

PHILANTHROPIC FOUNDATIONS CANADA (PFC)

PFC is a national member association for Canada's independent and family foundations. PFC promotes the growth and development of independent, effective and responsible foundations, and fosters a social and regulatory environment that encourages philanthropic contribution.

Contact: Hilary Pearson, President & CEO, 900-555 René Lévesque Blvd, Montréal, Québec, H2Z 1B1, phone : (514) 866-6818, e-mail : hpearson@pfc.ca

QUÉBEC MUSICIANS' GUILD

The mission of the Quebec Musicians' Guild is to defend, and promote the economic, social, moral and professional interests of its members who are all free-lance musicians. It represents them in every instance where it is in the general interest that it should do so and cooperates for that purpose with any organization pursuing similar ends.

Contact: Luc Fortin, President, 800-2021 Union Avenue, Montreal, Québec, H3A 2S9, phone: (514) 842-2866, e-mail: president@gmmq.com

QUEEN'S UNIVERSITY – SCHOOL OF POLICY STUDIES

The Public Policy and Third Sector Initiative is a research initiative within the School of Policy Studies, Queen's University, that works to bring together researchers and practitioners from across Canada to engage in an informed and productive debate on the role that non-profit and voluntary organizations may play in the federal, provincial, and territorial policy processes.

Contact: Rachel Laforest, Assistant Professor and Head of the Public Policy and Third Sector Initiative, School of Policy Studies, Queen's University, Kingston, Ontario, K7L 3N6. Phone: (613) 533-6000 ext. 77264, email: laforest@post.queensu.ca

SALVATION ARMY

The Salvation Army helps thousands rebuild their lives. A snapshot of its services include providing beds for shelters, helping people with addictions, offer emergency disaster services, provide families with food, clothing and practical services, and work in developing countries.

Contact: Patrick Corlett, Director of Estates, 2 Overlea Blvd., Toronto, Ontario, M4H 1P4, phone: (416) 422-6235, e-mail: patrick_corlett@can.salvationarmy.org

SPORT MATTERS GROUP (SMG)

SMG is a voluntary group of individuals who have come together to talk about the important contribution that sport makes to society and to collaborate on various sport policy issues on an *ad hoc* basis. The Group has actively worked together on the Canadian Sport Policy, the new Sport and Physical Activity Act, and on increasing the resources available for sport in Canada.

Contact : Ian Bird, Senior Leader, 201-359 Bank Street, Ottawa, Ontario, K2P 1X9, phone: (613) 526-2912, e-mail: ian.bird@sportmatters.ca

UNITED WAY OF CANADA – CENTRAIDE CANADA

United Way of Canada - Centraide Canada (UWC-CC) is the national organization for the 124 United Ways – Centraides across Canada. It acts as a voice for its members within the Canadian voluntary sector and internationally and provides leadership, programs and services to its members. The national organization also maintains a close relationship with United Way of America, United Way International (UWI) and through UWI, with other United Way organizations around the world.

Contact: Al Hatton, President, 404-56 Sparks Street, Ottawa, Ontario, K1P 5A9, phone: (613) 236-7041 ext.7400, e-mail: ahatton@unitedway.ca

VOLUNTARY AND NONPROFIT SECTOR ORGANIZATIONS OF MANITOBA (VNPSOM)

VNPSOM is an umbrella of community organizations from around the province. Arising from the findings and efforts of the Manitoba Voluntary Sector Initiative (MVSI), VNPSOM was created – of the sector, by the sector, for the sector - to take leadership in addressing the issues and challenges facing the sector and to support greater communication and co-ordination within the sector.

Contact: Martin Itzkow, Steering Committee – VNPSOM, phone: (204) 941-9414, e-mail: martin@miconsultancy.ca

VOLUNTEER CANADA (VC)

Volunteer Canada is the national voice for volunteerism in Canada. Since 1977, Volunteer Canada has been committed to supporting volunteerism and civic participation through ongoing programs and special projects. Volunteer Canada's board members, partners and members represent hundreds of different communities across Canada. Our membership includes over 86 volunteer centres established throughout the country in all provinces and the Yukon Territory. We also work in close collaboration with the federation of over 110 volunteer centres in Quebec. Managers and directors of volunteers represent a vital aspect of volunteerism in Canada and make up an important aspect of our organization's community.

Contact: Marlene Deboisbriand, President, 330 Gilmour Street, Ottawa, Ontario, K2P 0P6, phone: (613) 231-4371 ext.235, e-mail: MDeboisbriand@volunteer.ca

YMCA CANADA

The YMCA in Canada is dedicated to the growth of all persons in spirit, mind and body, and in a sense of responsibility to each other and the global community. YMCA Canada fosters and stimulates the development of strong member Associations and advocates on their behalf regionally, nationally and internationally.

Contact: Michael Weil, President and CEO, 42 Charles Street East, 6th floor, Toronto, ON, M4Y 1T4, phone: 416-967-9622, e-mail: michael_weil@ymca.ca.

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