Working Together

A Government of Canada/ Voluntary Sector Joint Initiative

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Transmittal

We are pleased to present this report for the consideration of the Federal Ministers and the leaders from the voluntary sector who initiated and made possible this work.

Joint Tables were convened in March 1999 to address three primary issues: building a new relationship, strengthening capacity, and improving the regulatory framework. The challenge facing the Joint Table members was to think creatively about how to encourage the development of the voluntary sector and promote closer collaboration between the Government of Canada and the sector.

The process itself was unique. The Tables operated under no constraints in terms of identifying the key policy issues and potential solutions. The Table members were drawn in equal measure from the government and the voluntary sector and the Tables were jointly chaired. Members were chosen on the basis of their expertise, experience and willingness to pull together as members of a team rather than as representatives of particular organizations or departments. The views presented are therefore those of the participants, not those of their organizations or departments.

The innovative Joint Tables approach, characterized by lively and informed discussion, has given us confidence that the report is on the right track. We see this as a significant step in a longer term process that will ultimately benefit Canadians and the quality of life in Canada.

We also believe that the views presented in the report will be of interest to a wider audience of Canadians including those in the voluntary sector, government officials and many in the business, academic and labour communities. To this wider audience, whose collaboration and support is vital to the development of Canada's voluntary sector, we also commend the report.

Al Hatton	**Ian Potter**

Co-Chairs, Building A New Relationship Table

David A. Good	**Monica Patten**

Co-Chairs, Strengthening Capacity Table

Gordon Floyd	**Bill McCloskey**

Co-Chairs, Improving The Regulatory Framework Table
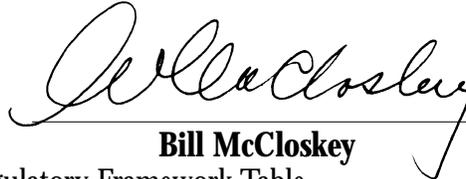
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A c k n o w l e d g e m e n t s

The Joint Table members wish to extend heartfelt gratitude to the many vital participants in this process. The members are pleased and honoured to have collaborated with a team of dedicated individuals, all of whom demonstrated exceptional expertise, prodigious effort, and enduring commitment and enthusiasm. They amassed an enormous amount of insight, despite the constraints of arduous time lines and limited resources.

Susan Fletcher and James Wheelhouse, Co-Executive Directors of the Voluntary Sector Task Force, Privy Council Office, guided and managed the process, and ensured that the Joint Tables were able to fulfill their duties. Their knowledge and diligence were invaluable.

Task Force policy analysts Philip Baker, Erwin Dreessen and Peter Mathieson, who were ably assisted by Karen Hill and Maryanne Pentick, committed the results of the joint deliberations to paper, and produced the three reports on which this integrated document is based.

Marceline Olivier managed the logistics on behalf of the Task Force. Peter Hall, National Director of the Canadian Environmental Network on behalf of the Voluntary Sector Roundtable, and Dorothy Love from the Department of Justice (Communications), contributed their communications skills. Dale Boyd and Len Goldberg contributed writing and editing services, while ACR Associates Inc provided design and layout expertise. French copy editing was provided by Bernard Lévy.

List of Table Members

Table on Building a New Relationship

Al Hatton (Co-Chair)
Executive Director
The Coalition of National Voluntary
  Organizations

Ian Potter (Co-Chair)
Assistant Deputy Minister
Health Promotion and Programs Branch
Health Canada

Guillaume Bissonnette
Special Advisor to Deputy Minister
International Trade and Finance Branch
Finance Canada

Tim Brodhead
President and CEO
J.W. McConnell Family Foundation

Ruth Dantzer
Assistant Secretary to the Cabinet
Social Development
Privy Council Office

Bonnie Greene
Program Director
Division of Mission in Canada
United Church of Canada

Lynden Johnson
Executive Director
Rural Secretariat
Agriculture and Agri-Food Canada

Christiane Ouimet
Assistant Deputy Solicitor General
Corrections and Aboriginal Policing
  Branch
Ministry of the Solicitor General

Betty Plewes
President and CEO
Canadian Council for International
  Co-operation

Penelope M. Ayre Rowe
Executive Director
Community Services Council of
  Newfoundland and Labrador

Ian Shugart
Visiting Assistant Deputy Minister
Health Protection Branch, Transition
  Team
Health Canada

Graham Stewart
Executive Director
John Howard Society of Canada

Michèle Thibodeau-DeGuire
Présidente et directrice générale
Centraide du Grand Montréal

Janet Zukowsky
Vice-President
Canadian Partnership Branch
Canadian International Development
  Agency

David A. Good (Co-Chair)
Assistant Deputy Minister
Human Resources Investment Branch
Human Resources Development Canada

Monica Patten (Co-Chair)
President and CEO
Community Foundations of Canada

David Armour
President
United Way of Canada-Centraide
 Canada

Neil Barclay
Director
Charities Division
Revenue Canada

Paddy Bowen
Executive Director
Volunteer Canada

Jackie Claxton
Director General
Women's Program and Regional
 Operations
Status of Women

Louise Gagné
Representative
Canadian Conference of
 Catholic Bishops

John Hobday
Executive Director
Samuel and Saidye Bronfman Family
 Foundation

William Hoch
President and CEO
Easter Seals/March of Dimes National
 Council

Patrick Johnston
President and CEO
Canadian Centre for Philanthropy

Marc Maracle
Executive Director
National Association of Friendship
 Centres

Martha Nixon
Assistant Deputy Minister
Operations
Citizenship and Immigration

Kathy O'Hara
Assistant Secretary
Social and Cultural Sector
Treasury Board Secretariat

Susan Pigott
Executive Director
St. Christopher's House

Michel Roy
Assistant Commissioner
Corporate Development
Correctional Service Canada

Marie-Josée Thivierge
Directrice générale associée
Direction des Applications de l'autoroute
 de l'information
Industrie Canada

Stewart Wells
Assistant Chief Statistician
National Accounts and Analytical
 Studies
Statistics Canada

Table on Improving the Regulatory Framework

Gordon Floyd (Co-Chair)
Vice-President, Public Affairs
Canadian Centre for Philanthropy

Bill McCloskey (Co-Chair)
Assistant Deputy Minister
Policy and Legislation Branch
Revenue Canada

Neil Barclay
Director
Charities Division
Revenue Canada

Sean Berrigan
Director General
Policy and Strategic Planning
Canadian Heritage

Francine Bertrand-Venne
Directrice générale
Société Professionelle des Auteurs et des
  Compositeurs du Québec

Diane Carroll
Acting Director General
Strategic Direction and Policy
  Coordination
Environment Canada

Susan Carter
Associate Director
Canadian Council on Social
  Development

Terry de March
Director, Innovations
Analysis and Integration-Programs
  Branch
Justice Canada

Laird Hunter
Partner
Worton Hunter and Callaghan
  Barristers and Solicitors

Victor Lachance
President and CEO
Canadian Centre for Ethics in Sport

Louis Lévesque
General Director, Analysis
Tax Policy Branch
Finance Canada

Robert Main
Director
Regulatory Affairs and Standards Policy
Industry Canada

Stephen E. Rudin
Chair
National Voluntary Health Agencies

Steven Shrybman
Executive Director
West Coast Environmental Law
  Association

P r e f a c e

In the spring of 1999, the federal government and the voluntary sector launched a joint initiative to improve and strengthen their long-standing relationship. The initiative was designed to develop new and increasingly strategic ways of achieving their mutual goal: improving the quality of life for Canadians.

Joint Tables, composed of government officials and leaders from the voluntary sector, were assigned to address three primary issues: building a new relationship, strengthening capacity, and improving the regulatory framework. The Tables defined and prioritized issues, identified research gaps, and determined preliminary policy and program options.

The **Table on Building a New Relationship** sought to create a framework for a renewed relationship, and to define a vision, principles, roles and goals. It also explored flexible mechanisms and processes to ensure that the collaboration flourishes.

The **Table on Strengthening Capacity** sought ways to enhance the ability of the voluntary sector and the federal government to meet the challenges ahead and to continue working together effectively. The Table focused primarily on financial capacity, human resources, knowledge, and information management / information technology.

The objectives of the **Table on Improving the Regulatory Framework** were to explore ways of improving the regulation, administration and accountability of charities and other non-profit organizations, and to examine federal funding support.

Members of the Tables were chosen for their individual expertise and experience, and not necessarily because of the organizations to which they belong. Each Table was co-chaired by a senior government official and a leader from the voluntary sector.

The Tables started their deliberations in April of 1999, and continued into June. On June 16, they presented their preliminary findings to a roundtable meeting of Ministers, Secretaries of State, and voluntary sector leaders.

This report represents the culmination of this process. The document is meant to inform readers about the ideas that emerged from the Joint Table discussions. The options presented in the report are put forward for the consideration of the federal government and the voluntary sector.

Initiatives arising from this process may be further explored through consultations with a wider range of voluntary sector organizations and other stakeholders, as appropriate.

Executive Summary

Canada's voluntary sector plays a crucial and complex role in our society, including making Canada a more humane, caring and prosperous nation. The sector is also enormously broad and diverse. And its unique contributions — both at home and abroad — afford it singular knowledge and expertise. The voluntary sector is a vital pillar in our society, as are the public and private sectors.

The federal government and the voluntary sector share a long history of joining forces to achieve mutual goals. In recent years, several factors — for example, changing government roles, increasingly diverse populations, and new social and economic realities — have prompted the government and the sector to seek new ways to work together to better serve Canadians. The purpose of this collaboration is to strengthen the ability of both the government and the sector to achieve their common goal of enhancing the quality of life for Canadians.

In the spring of 1999, the federal government and the voluntary sector launched a joint initiative to forge a more effective, strategic relationship to better serve Canadians. Joint Tables, composed of government officials and sector leaders, conducted exploratory talks in three key areas: building a new relationship, strengthening capacity, and improving the regulatory framework. They started their work in April 1999 and continued through June.

This report represents the culmination of the Joint Table process. The report's purpose is to inform readers about the discussions and options put forward by Table participants to the Government of Canada and the voluntary sector.

Building a New Relationship

The Building a New Relationship Table examined both positive and negative experiences in the relationships between the government and voluntary sector. The Table also articulated the fundamental elements of an improved and strengthened relationship. These elements include a shared vision, principles to guide the relationship as it develops, and a delineation of the respective government/sector roles in working together.

The proposed principles touch on five areas: interdependence and cooperation, the voluntary sector's unique role, dialogue, collaboration, and public accountability.

Table members identified five conditions as essential to supporting and nurturing the evolving relationship: a space for ongoing dialogue; commitment to nurture and broaden the relationship; a focus on tangible results for the benefit of Canadians; capacity support and an appropriate regulatory framework; and accountability and regular reporting to Canadians.

The Building a New Relationship chapter puts forward several options to help maintain and strengthen the relationship and encourage it to flourish. Since the purpose of the new relationship is to strengthen existing government/sector interactions, mechanisms are needed that will allow the overall relationship to be handled more strategically, address cross-cutting issues and encourage discussion about the relationship's long-term direction. This can best be achieved by adopting an evolutionary approach. The following options, therefore, cover a range of time frames, and are designed to complement each other. As well, they are meant to support the ongoing endeavours that individual departments and specific voluntary sector organizations are pursuing to evolve their existing relationships.

Options for an Evolving Relationship

- an accord between the government and sector to guide the evolving relationship
- a means by which the sector could orchestrate its various voices
- assigning responsibility for the development of the relationship at the ministerial level
- creation of a small secretariat to continue the work of the Privy Council Office's Voluntary Sector Task Force
- establishment of a joint Implementation Group to provide direction during the research and consultative stages, and to conduct other duties
- formation of a permanent organization to nurture the relationship
- periodic meetings between Cabinet Ministers and leaders of the voluntary sector
- an Annual Report to Parliament
- improved funding and regulatory regimes
- engaging the provinces/territories
- a "voluntary sector lens" in government policy practices
- a relationship with Parliament

Strengthening Capacity

The Table on Strengthening Capacity sought to explore ways of enhancing the voluntary sector's and government's ability to meet the challenges ahead, and to continue being partners in improving the quality of life for Canadians. While the chapter concentrates mainly on voluntary sector capacity, it also recognizes the importance of the federal government's capacity to function effectively in partnership with the sector.

Capacity can mean many things, depending on the context. To focus the discussion and to allow sector organizations to assess their own capacities, the chapter outlines a generic framework of capacity with regard to the voluntary sector. The framework consists of four dimensions of capacity: financial, human resources, knowledge, and structural.

The section Options for Strategic Investments outlines several mechanisms for strengthening the sector's and government's capacity, some of which could be developed immediately, while others are longer term. The Table emphasized that while some progress could be achieved through the strategic reallocation of existing resources, an infusion of new federal funds over the long term in a few select areas would be the most strategic and effective means of strengthening the sector's capacity. However, while funding is important, capacity extends beyond funding to include the other three dimensions (human resources, knowledge, structural).

Options for Strategic Investment

Financial Capacity: Create a task force to analyze the current funding situation, and recommend government-wide funding principles and guidelines that would allow the sector to better mobilize and manage its resources.

Human Resources: Establish a National Volunteerism Initiative that would encourage Canadians to participate in voluntary organizations, and that would expand the capacity of organizations to focus, manage and benefit from volunteer contributions. As well, implement a strategy to enhance the skills of existing staff (such as through staff exchanges between the government and sector), and promote the voluntary sector as an employer of choice.

Knowledge: Establish a sector "satellite account" as a subset of Statistics Canada's System of National Accounts, and conduct the National Survey of Giving, Volunteering and Participating on a regular basis; formulate an awareness/engagement strategy to inform key target audiences (for example, Cabinet Ministers, business leaders, journalists, career counsellors) about the sector; create policy fellowships and internships to increase the sector's ability to act as a partner in government policy development; and encourage the development of a voluntary sector research community.

Information Management / Information Technology (IM/IT): Develop a youth employment/co-op/apprenticeship program in IM and IT; and commission a needs and cost/benefit analysis of the development of specialized operations software for the voluntary sector that could be scaled, as appropriate, to organizations of varying sizes.

The goal of strengthening capacity is to enhance the ability of the sector and individual organizations to achieve their missions, bring their visions to life and fulfill their roles. The result would be a stronger, more resilient sector, one that is better able to thrive in the face of challenges.

Improving the Regulatory Framework

The Table on Improving the Regulatory Framework explored the problems and potential solutions surrounding the federal regulatory framework as it relates to the voluntary sector. The Table outlined options for change in four areas: the legislative framework, institutions, administration of regulation, and funding.

Options for Change

Legislative Change:
- Making accessible to the public the information that is filed with Revenue Canada in support of an application for registered charity status, and information on Revenue Canada's reasons for decisions.
- Clearly defining the non-partisan advocacy and public education activities in which charities may engage, and raising above the current 10 percent the percentage of resources that a charity can devote to such activities.
- Allowing certain categories of public-benefit organizations eligibility for registration as "deemed charities" that do not operate exclusively to the benefit of their members, and that promote specified causes not considered charitable under common law.
- Undertaking a study of the liability issue pertaining to voluntary organizations and their directors, including a clear definition of the problem, goals and objectives, and an action plan for resolution.

Institutional Change: The Table explored the need to establish a new framework for regulatory oversight, and presented three options or "models" for oversight bodies: an enhanced Revenue Canada Charities Division, an advisory agency, and a quasi-judicial commission. The Table suggests that the models be further discussed or developed through broader consultations.

Administrative Change:
- Developing a shortened version of the tax return from 13 pages to approximately 4 pages, extending this shortened reporting requirement to all charities with revenues of $100,000 or less, and investigating whether this shorter form could suffice for charities with revenues of $100,000 or more.
- Introducing compliance mechanisms short of de-registration. The issue needs more in-depth exploration, and could be informed by several guidelines outlined by the Table.
- Introducing a new guideline (from Revenue Canada) on allowable "business-related activities" undertaken by charities.

Funding Change: The Table began a preliminary exploration of funding vehicles, as a first step in resolving the complex issues regarding who receives what type of funding for various purposes. Available data were compiled, and a preliminary analysis was undertaken on the relative advantages and disadvantages of various forms of public support for voluntary sector organizations, including tax assistance, matching grants, core funding, contributions and contracts.

This analysis can serve as a starting point for further work on the government's funding relationship with the voluntary sector. The Regulatory Table's research and analysis could be used to inform a more comprehensive examination of funding issues, as proposed by the Table on Strengthening Capacity.

Implementation Plan

The report outlines a broad implementation plan for advancing the proposals emanating from the Joint Table process. This proposed plan consists of three phases — Commitment, Construction and Consolidation — and indicates which of the report's options might take place during each. The implementation plan is designed to complement the initiatives that many departments and sector organizations are undertaking to strengthen existing relationships.

The suggested overall approach involves assigning ministerial responsibility for the development of the relationship, and a mutual commitment to a process of investigating and reporting on specific actions required to build the relationship.

Commitment Phase (Fall 1999): The federal government and sector representatives would publicly announce their commitment to developing their relationship in new directions, including specific aspects of this commitment, such as the agreement to pursue an accord and the establishment of a joint Implementation Group.

Construction Phase (Winter 1999/00 to Fall 2000): The key to this phase would be the creation of an Implementation Group composed of government and sector leaders, and supported by linked task forces to examine a number of specific issues. The Implementation Group's main task would be to oversee the research and consultations related to these issues.[1] The Implementation Group would also identify issues that could be acted upon at an early stage.

Consolidation Phase (Winter 2000/01, ongoing): Implementation of any items not already acted upon could begin.

After the Consolidation Phase, work would continue, including ongoing dialogue, identification of priority issues, and actions to further enhance the government-sector relationship.

Conclusion

These options, and the Joint Table process behind them, mark just the beginning of an ongoing undertaking by the voluntary sector and government to better serve Canadians and enhance their quality of life. As the process continues, the options will become more specific, and new ones may emerge.

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1 The one-year Construction Phase includes the time required by the government's and sector's internal decision-making processes to address the Implementation Group's recommendations.

Now, after decades of working together on a fruitful but mostly *ad hoc* basis, and of pursuing common objectives from sometimes divergent or even opposing positions, the government and the voluntary sector have taken an historic step toward working together to achieve mutual goals.

This is good news for Canadians. Canada's long-standing ethic of care calls for a new kind of governance, one in which the voluntary sector and the federal government work together — a collaboration marked by a compassion that helps to create a world where values count, the full range of human activities is encouraged, and every person can realize his or her potential.

Participants in the Joint Table process welcome this opportunity to build a stronger, more strategic relationship, and look forward to embracing the private sector and provincial governments in this pursuit.

C o n t e x t

A n   E v o l v i n g   R e l a t i o n s h i p

Canada has a strong tradition of voluntary action. Since pioneering days, Canadians have helped each other meet daily needs and overcome hardships. The voluntary sector — which today plays an increasingly critical and complex role — has long been a vital pillar of Canadian society, working with the public and private sectors to make Canada a more humane, caring and prosperous nation.

For example, the federal government and the voluntary sector share an extensive history of joining forces to achieve common goals. Over the decades, this relationship has shifted as society and needs evolved. In recent years, economic restructuring, the rethinking of government services, and changes in the demographics of the Canadian population have presented serious challenges for the voluntary sector.

Leaders from the sector have responded positively and creatively to these challenges. Among the sector's initiatives has been the formation of the Voluntary Sector Roundtable,[2] which commissioned the report of the Panel on Accountability and Governance in the Voluntary Sector. The report called for governments to forge new relationships with the sector. Fundamentally, the sector seeks an environment that will enable it to better respond to challenges.

> The Government of Canada is committed to deepening its engagement with the voluntary sector.

For its part, the federal government seeks new, stronger, mutually supportive relationships among all sectors — governments, the voluntary sector and the business community. The government recognizes that communities — local and national — are most dynamic when all sectors work together to achieve broad social and economic goals. In this spirit, the Government of Canada is committed to deepening its engagement with the voluntary sector.

Many departments and voluntary agencies already have important individual relationships that achieve mutual objectives. This initiative will help to broaden and strengthen these alliances, and envelop them in a more strategic government-wide framework. It will also help to create an environment that better enables the voluntary sector to do what it is uniquely positioned to undertake.

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2 The Voluntary Sector Roundtable (VSR) — a coalition of twelve national voluntary organizations that came together in 1995 to strengthen the voice of Canada's voluntary sector — has played an active role in focussing attention on the importance of the relationship between the sector and the federal government. In October, 1997, the VSR launched a Panel on Accountability and Governance in the Voluntary Sector, with the goal of "enhancing the effectiveness and credibility of the voluntary sector in its ongoing role of strengthening civil society." The Panel's report, published in February, 1999, contained many proposals directed at the federal government, provincial governments, voluntary organizations, foundations, corporations, and the sector as a whole.

The following organizations are Members of the Roundtable: Canadian Centre for Philanthropy, Canadian Conference of the Arts, Canadian Council for International Co-operation, Canadian Council on Social Development, Canadian Environmental Network, Canadian Parks/Recreation Association, Community Foundations of Canada, National Voluntary Health Organizations, National Voluntary Organizations, United Way Canada - Centraide Canada, Volunteer Canada, and a Representative for the faith communities.

What's in a Name: "Non-profit, Charitable or Voluntary?"

Every attempt to address issues of importance to the voluntary sector faces the lack of a clear, concise name for the sector. Therefore, any name used by the Joint Tables would have been seen as inadequate in some way.

The term "**non-profit sector**" is the most encompassing concept. It includes almost every type of voluntary association, charity, church, trade and professional association, and advocacy organization. The non-profit category is estimated to include more than 175,000 organizations in Canada. Non-profit organizations enjoy special tax exemptions, which they gain by fulfilling requirements of the *Income Tax Act.*

A subset of non-profits, the **charitable sector**, is the narrowest concept. It usually refers specifically to those organizations that are registered under the *Income Tax Act* as meeting a set of criteria, which exempts them from income taxes and permits these organizations to provide receipts for donations that can be claimed as tax credits. Unlike the non-profits, charitable groups are required to apply for their status, which is either granted or refused by Revenue Canada, and which the Department can also revoke.

The charitable sector has more than 78,000 organizations encompassing a vast array of types — from small, entirely volunteer-run initiatives that provide services to a specific or local population, to large institutions such as museums, schools, colleges, universities and hospitals.

The focus here is primarily on organizations whose work depends on: serving a public benefit; volunteers (at least for the group's governance); financial support from individuals; and limited direct influence from governments (other than that relating to any tax benefits accruing to the organization). This focus includes not only charities, but also the multitude of volunteer organizations, incorporated and unincorporated, that enrich the lives of communities but do not qualify for status as registered charities. These groups include recreational associations, service clubs, local community associations, advocacy groups, and community development organizations, among others. These groups are often the lifeblood of communities and are part of the voluntary sector, but may be largely unknown beyond their neighbourhoods.

So, the Joint Tables chose the broad term "**voluntary sector**" for their focus. The Table members recognize that some organizations rely on paid staff to carry out their work, although all organizations rely on volunteer directors for their governance. "Voluntary sector" was selected to reflect the sector's essential spirit, not the nature of its labour force. While the Tables acknowledge that the sector's boundaries are fuzzy, it is the sector's core, not its edges, that matters for this endeavour.

Adapted from *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector*, Panel on Accountability and Governance in the Voluntary Sector, pp 7-8

The Sector's Unique Contributions

Canada's voluntary sector is vibrant, diverse and resilient. The sector plays a vital role in achieving the goals that Canadians consider important. These goals include a healthy population, a skilled and resilient workforce, a strong social safety net, vital and diverse cultural and religious activities, secure homes and streets, and environmental sustainability — in short, quality of life. The sector contributes to society, in Canada and other countries, through its unique capacities in four main areas:

Public Policy Dialogue: The voluntary sector reaches deep into society, and provides channels through which Canadians can make themselves heard on important issues. Many voluntary organizations work with the most marginalized members of society, helping to voice the needs and aspirations of those whose voices are too seldom heard. This role extends beyond advocacy to include information gathering, research, building expertise, public education, and the contribution of innovative ideas and concrete proposals. Through its ability to galvanize Canadians on important issues, and because of its ability to act as an early warning system on a broad range of issues (for example, on land mines, racism, family violence and breast cancer), the voluntary sector can enlighten and enrich policy debates.

Service and Program Delivery: Many voluntary sector organizations deliver a wide range of programs and services to segments of society that governments and the private sector cannot reach. Some initiatives are undertaken in collaboration with government departments; other initiatives complement government services; and still other initiatives operate independently, with no government involvement.

The voluntary sector also provides a fertile ground for innovation in service delivery, and can target its services in ways that governments find difficult. The sector provides feedback to the government on the effectiveness of its programs. While much of the sector's work is to provide care in a variety of areas, many organizations undertake important work in other fields as well. These include sports and recreation, arts and culture, religion, and environmental protection. The voluntary sector's enormous breadth and diversity is one of its principal strengths.

The Voluntary Sector and the Economy

Canada's voluntary sector contributes significantly to Canada's economy. Charitable organizations alone, for example, employ some **1.3 million** people (**9 percent** of working Canadians), and the charitable sector has annual revenues of **$90 billion** and assets of **$109 billion**. The sector also rallies people, communities and others in ways that boost economic development.

Through its ability to galvanize Canadians on important issues, and because of its ability to act as an early warning system on a broad range of issues (for example, on land mines, racism, family violence and breast cancer), the voluntary sector can enlighten and enrich policy debates.

The voluntary sector's enormous breadth and diversity is one of its principal strengths.

Citizen Engagement: The voluntary sector reinforces citizenship by engaging Canadians in the building of communities where people can meet a diverse range of individual and civic needs. This applies not just to geographically defined communities, but also to geographically dispersed groups of individuals united by a commonality of interest. More than the governments or the private sector, the sector serves as a flexible and robust vehicle for involving people in society, in a way that is sensitive and responsive to their particular interest.

The voluntary sector allows people to tangibly express their commitment to the betterment of society. Voluntary and community activity is fundamental to a democratic and inclusive society.

Building Bridges: The voluntary sector is uniquely able to build bridges between communities and cultures, across regions, and between Canada and other nations. Life's rapid pace and increasing changes can often lead people to retreat inwardly, when the real challenge is to reach out and participate in community-initiated action. The sector's bridge-building endeavours promote understanding, awareness, inclusion, and social justice — locally, regionally, nationally and around the world.

Working Together

This era is marked by constant change, and an accelerating pace of change. As in the past, the boundaries between the private, public and voluntary sectors are once again shifting, while each sector continues to make important contributions to Canada's social and economic development. By working together and developing a greater trust and confidence, the government and the voluntary sector can accomplish much more for Canadians.

The voluntary sector/government joint initiative also moves Canada closer to the type of society that Canadians would like in the new millennium. The government and the voluntary sector believe that, by working together, the well-being of Canadians will be enhanced in the twenty-first century and beyond. Governments and the voluntary sector, complementing each other's strengths, will be better equipped to help citizens fulfill their potential and manage their lives, and to help Canada meet the domestic and global challenges that lie ahead.

A Brief History of Shared Involvement

Organized voluntary activity in Canada predates Confederation. Through churches and charitable organizations, Canadians of that era provided for their neighbours' health, education, welfare, and cultural life.

Federal involvement began circa **1900**, and consisted primarily of small grants usually meant to help organizations buy supplies needed to do what governments of the time could not. Government also entered into formal agreements with some voluntary organizations to deliver services to vulnerable groups of Canadians, through, for example, orphanages, schools, and group homes.

The first grant was $1,000 to the Canadian Lung Association in **1902**. Over the next two decades, the government extended its support to the Victorian Order of Nurses and St. John Ambulance. After the war, support was extended to the Canadian National Institute for the Blind. In the **1940s**, the government encouraged efforts to promote Canadian citizenship and strengthen national loyalty among an increasingly diverse population. The government continued to provide grants through the **1950s** and **1960s**, each subject to an individual parliamentary appropriation.

Over time, as the roles of the public, private and voluntary sectors shifted, governments assumed more responsibility for direct services to Canadians. It also became increasingly important to support and promote citizen associations.

In **1974**, the Department of the Secretary of State announced a National Advisory Council on Voluntary Action to study issues and problems affecting federal relations with the voluntary sector (the Council was supported by a departmental secretariat). The resulting report, *People in Action*, recommended several actions, many aimed at enhancing the sector's capacity. Some progress was made, and the relationship between the government and the sector continued to evolve, while the sector continued to grow.

In the **1980s** and early **1990s**, several studies reported on the role and contribution of the voluntary sector, and on its financial and economic dimensions. They were undertaken, however, in a context of government preoccupation with fiscal matters, and without a coordinated approach.

The **1980s** and early **1990s** had a profound impact on the voluntary sector. The combination of significant cuts in government funding, and the government's introduction of accountability demands without the provision of appropriate measurement tools, caused many voluntary organizations to experience great difficulties in securing the necessary resources to meet their mandates and the needs of their clients.

In the mid **1990s** the federal government introduced various measures to encourage donors of all income levels to increase their charitable giving. For example, in **1995** and **1996** the federal government introduced changes to provide tax incentives to donors with modest or middle incomes. The **1997** budget made further changes to encourage larger gifts of capital.

The government and the voluntary sector have developed a wide-ranging relationship over the years. Literally hundreds of initiatives are currently ongoing between sector organizations and government departments. And in recent years, governments in Canada and other industrialized countries have started to rediscover the sector's importance in meeting public expectations. There is a sense that the sector's contribution to society has been overlooked and underrated. The private sector, as well, is moving toward the same conclusion. Countries with a vibrant voluntary sector flourish.

This is the context in which this groundbreaking initiative has arisen to evolve and enhance the long-standing relationship between the federal government and the voluntary sector, **so that they can work together to better serve all Canadians**.

Purpose of the Report

The Joint Tables report presents the results of the first stage in a re-assessment of the relationship between the government and voluntary sector. This stage consisted of talks on three key aspects of the evolving relationship: building a new **relationship**, strengthening **capacity**, and improving the **regulatory** framework. The deliberations were undertaken by three Joint Tables, composed of senior government officials and voluntary sector leaders. This report summarizes, and to some extent integrates, these deliberations.

The report is intended to inform the reader about the options[†] that Joint Table participants are putting before the voluntary sector and the Government of Canada for their consideration. The report is an information piece, not a consultation document. In future, depending on the items that go forward for broader consultations, more precise consultation texts may appear.

[†] **Note to the reader:** Throughout the report, the Tables' options are identified by headlines that are shadowed in grey. For example:

A Tables option headline appears like this

Building a New
Relationship

The Building a New Relationship Table was responsible for articulating many of the fundamental elements of the new alliance between the federal government and the voluntary sector. Among its tasks were to create a framework for the relationship, establish a shared vision, list the principles that would guide the relationship, and define the respective roles of the government and the sector within the relationship.

An important part of the Table's work was to explore options to launch and maintain the relationship. To this end, it developed a series of flexible mechanisms to establish and develop the relationship in the short term, and to help the relationship flourish in the medium and longer term. These mechanisms are listed in this chapter under **Options for an Evolving Relationship**.

The Table also proposed an implementation plan to advance the suggestions emanating from the Joint Table process. This plan is presented in the Implementation Plan chapter (pages 65-68).

Shared vision

Table members propose a shared vision of society:

- that is characterized by equal opportunity, respect for diversity, fairness, individual dignity and recognition of government/sector interdependence;
- that supports individuals taking responsibility for themselves and sharing responsibility for others, that honours individual achievement, and that values those who contribute to building a better society;
- where the public, private and voluntary sectors are recognized for their essential and interdependent contributions to quality of life, the vibrancy of communities, the vitality of civic and democratic institutions, and the overall public good, nationally and globally;
- where the voluntary sector is valued for the unique contribution it makes to society by engaging the skills, interests, beliefs and values of individuals and groups in the service of others in communities at home and abroad.

Proposed Guiding Principles for a *Renewed Relationship*

Interdependence and Cooperation

The parties in the renewed relationship between government and voluntary sector:

- recognize that the government and the voluntary sector are independent and interdependent parts of society, each possessing unique attributes and strengths, and each enriching in different ways the social, economic, environmental, cultural and spiritual life of Canada;
- acknowledge that the government and the voluntary sector can contribute more to societal well-being by working in mutually supportive ways than by working in isolation.

Voluntary Sector's Unique Role

The parties:

- recognize that a democratic society upholds the right to associate freely with one another in pursuit of a common purpose, within the law, through voluntary activity;
- recognize that the sector plays a vital role in addressing issues of social justice, human rights, the environment, religion, arts, sports and culture;
- respect the sector's right to challenge, criticize and seek to influence government policies, programs and legislation;
- value the voluntary sector's role in championing causes and making the voices of Canadians heard in discussions about public policy;
- value the voluntary sector's role in promoting a healthy democracy by encouraging citizen engagement through volunteering and community participation;
- recognize the voluntary sector's unique capacity for flexibility and innovation in the delivery of services;
- recognize the voluntary sector's autonomy and respect the sector's accountability to its constituencies.

Dialogue

The parties:

- recognize the need for the government and the voluntary sector to engage in respectful, open, informed and sustained dialogue;
- recognize the need to support and encourage the voluntary sector to contribute its experience and ideas in order to develop better public policy;
- respect the need for consultative processes with the voluntary sector — processes that are transparent, timely, inclusive and accountable;
- recognize that consultative processes with the sector will accommodate the sector's diversity and variety of viewpoints;
- recognize the need to share information and work together to identify priorities for collaborative action;
- recognize the need to respect the confidentiality of information provided by the parties in the relationship, in order to maintain trust.

Collaboration

The parties:

- acknowledge the need to collaborate in identifying common priorities, and the need to work together to achieve complementary aims and objectives;
- acknowledge the need to collaborate on the implementation of joint priorities when this would better meet the needs of Canadians and communities abroad;
- acknowledge the benefits of creating flexible strategic alliances, and of favouring flexible implementation so as to respect diverse needs and circumstances;
- recognize that successful relationships welcome innovation and are flexible, open to criticism and characterized by collaboration in dealing with important issues;
- recognize that effective relationships are based on mutual respect, trust and open communication.

Public Accountability

The parties:

- acknowledge that the government and the voluntary sector are accountable to Canadians, and acknowledge the need for public accountability;
- recognize the need to develop standards of good practice that are flexible in application and ensure appropriate accountability.

Conditions of an Effective Relationship

The Building a New Relationship Table sought to create an enabling environment that would make it possible for the voluntary sector to do what it is uniquely positioned to undertake. The Table members identified five conditions that they considered essential to strategically supporting and nurturing the relationship:

Ongoing dialogue: A commitment to open, ongoing dialogue between governments and the voluntary sector — along with structured mechanisms to ensure the dialogue takes place — is imperative to effectively handle the many changes and challenges ahead.

Commitment to nurture and broaden the relationship: It is essential to have a long-term commitment to nurture and broaden the relationship as it evolves. To reach its full potential, the relationship must eventually include all levels of government, the business community and other stakeholders. Governments must sharpen their ability to listen to the voices of the voluntary sector, while the sector must learn to more effectively channel its voices.

A focus on results that benefit Canadians: The purpose of the renewed relationship is to achieve tangible benefits for Canadians. This requires the articulation of shared goals, and the development of action plans to move the relationship steadily forward.

Capacity support and an appropriate regulatory framework: The voluntary sector can achieve tangible results only if it has the capacity to do so: for example, in terms of a sound, supportive regulatory environment, government funding, and the capacity to mobilize resources.

Reporting and accountability to Canadians: The government and sector must recognize the need to report regularly to Canadians on the status of the relationship, and on their accountability for results achieved.

Government and Sector Roles in the Relationship

The federal government and voluntary sector each bring unique contributions to the relationship. Their strengths can complement and support the evolving relationship. In cases where differences exist, each party must be sensitive to the other's methods and variations.

Accountability

One such area of variance involves accountability. While the government is directly accountable to the public for balancing complementary, competing and conflicting interests across a range of issues in a way that advances the public good, voluntary

> While the **government is directly accountable to the public** for balancing complementary, competing and conflicting interests across a range of issues in a way that advances the public good, **voluntary organizations are accountable to their members**, supporters and clients, and typically represent their constituents on a narrower range of issues. Reconciling sector interests with the broader responsibilities of the government presents a continuing challenge.

organizations are accountable to their members, supporters and clients, and typically represent their constituents on a narrower range of issues. Reconciling sector interests with the broader responsibilities of the government presents a continuing challenge.

Both parties are also aware that government policy and program decisions can have significant impact on the sector — both positive and negative — and that these impacts can ripple through society.

Government Role

The role of government in its relationship with the voluntary sector is to:

- work with the sector, where appropriate, to achieve common aims and objectives;
- share information and communicate openly;
- encourage sector participation in the development of public policy;
- work for the health and well-being of an independent, creative sector committed to voluntary activity as an expression of citizenship; and
- promote the value of the voluntary sector both within and outside government.

Voluntary Sector Role

The role of the voluntary sector in its relationship with government is to:

- work with government, where appropriate, to achieve common aims and objectives;
- share information and communicate openly;
- advise government on issues of concern, sharing expertise and experience gathered through their work with and for Canadians;
- be independent of partisan political activities; and
- operate in an open, accountable way.

Options for an Evolving Relationship

The purpose of the evolving relationship is to improve the well-being of Canadians. This will require strengthened and improved partnerships. It will also mean enhancing hundreds of existing relationships between individual departments and specific voluntary sector organizations, and the overall partnership between government and the sector — the sense that the parties in the relationship are working together.

To accomplish this goal, it will be necessary to have flexible, ongoing mechanisms that enable a more strategic handling of the relationship, address cross-cutting issues, and encourage dialogue about the relationship's long-term direction. The best means of achieving this goal is an evolutionary approach: that is, a process of working through logically sequenced phases (see the Implementation chapter).

The following options are designed to complement each other, though some will need further deliberation and consultation before being introduced.

Accord

An official accord or agreement that articulates a shared vision and agreed-upon principles[3] would help to shape and guide the relationship. The accord should be "evergreen," that is, capable of evolving as the relationship matures, and be flexible enough to embrace other stakeholders, both within the sector and beyond. The parties also need to agree on a means to signal their commitment to abide by the accord.

Orchestrating the Sector's Voices

The voluntary sector currently has no single organization to speak on its behalf. However, as the sector grapples with the challenge of making its various voices heard, organizational structures will likely emerge. The Relationship Table believes that the voluntary sector needs to decide how to achieve the necessary orchestration, without bureaucratizing the process, and without unintentionally excluding any of the many diverse interests in the sector. The Table also believes the government should accept that this evolution will take time and that, at each stage, it will need to accommodate the sector's diversity.

Ministerial Responsibility and Leadership

While the sector's challenge is to find a way to make its voices heard, the federal government's challenge is to sharpen its listening skills, ensure that the sector is consulted on matters of horizontal and strategic concern, and make certain that its views reach the government's executive level. This means, in effect, assigning ministerial responsibility and leadership for the stewardship of the relationship.

Table members considered several options for ministerial responsibility and leadership. These options included: assignment to a single minister; creation of a new ministerial committee; or leadership and responsibility with an existing Cabinet Committee. The preferred option is that lead responsibility be assigned to three or four senior Ministers, one of whom represents a central agency, while the others head line departments that are deeply engaged with the sector. The Ministers would play a leadership role in developing the relationship. The Table also suggests that the Ministers meet annually with their Cabinet colleagues and sector representatives to review progress and priorities.

This option is not intended to replace the many important relationships that already exist between individual government departments and voluntary organizations.

Supporting Secretariat

The creation of a small secretariat would allow the work of the Privy Council Office's Voluntary Sector Task Force to continue. The secretariat's core function would be to provide policy advice to Ministers regarding the relationship.

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3 As proposed on pages 21-22.

In the early stages, the secretariat would also play a transitional role in supporting the work of the Implementation Group (see below). In the longer term, the secretariat's mandate might include a nurturing role with respect to the government's relationship with the sector (see Organization to Nurture the Relationship below). The Table suggests that the secretariat initially be located in the Privy Council Office, although it could later migrate to the department of one of the Ministers assigned lead responsibility.

Implementation Group

The establishment of an Implementation Group, composed of sector and government leaders, would provide valuable direction on the research and consultative work to further develop policy and program options identified by the Joint Tables. The Implementation Group, which would be a transitional body, would be supported by the secretariat. This option is key to achieving successful consultations.

An Organization to Nurture the Relationship

After the consultations have taken place, the formation of a permanent organization dedicated to nurturing the relationship could offer significant benefits. In addition to a facilitative role, the organization would monitor adherence to the relationship's guiding principles, resolve disputes, and assist in nurturing the sector in areas such as capacity strengthening.

One option is to establish an organization similar to the Rural Secretariat, which was established to foster the relationship between the federal government and rural Canada, and which reports to the Minister Responsible for Coordinating Rural Affairs (who is also Minister of Agriculture and Agri-Food Canada). Another option is to create an independent body, which might also incorporate both regulatory and capacity nurturing functions. The Table suggests that various options on a permanent organization be considered during the consultations.

Relationship to Parliament

The voices of the sector need to be linked to both the legislative and executive levels of government. To address this, one option is an all-party parliamentary committee responsible for the voluntary sector, through which organizations, stakeholders and individual Canadians can express themselves on relevant issues. A committee at the legislative level would balance the executive-level group.

Annual Report to Parliament

An Annual Report to Parliament would allow the sector and government to report to Canadian citizens on their mutual work, the relationship's development, and an evaluation of results. The organization responsible for nurturing the relationship could be responsible for producing the Report.

Funding and Regulatory Regimes

The work of the Tables on Strengthening Capacity and Improving the Regulatory Framework are essential to the relationship's development. Please consult those chapters for a fuller understanding of this option.

Engaging the Provinces and Territories

To reach its full potential, the federal government/voluntary sector relationship needs to eventually include provincial/territorial, regional and local governments. Recognizing that provinces/territories have their own approaches to collaboration with the voluntary sector, the sector and federal government will customize their approaches on engagement with the provinces/territories.

Voluntary sector leaders have a key role to play in advancing these relationships with their provincial and territorial counterparts in the voluntary sector.

A "Voluntary Sector Lens" in Government Policy Practices

Introducing a "sector lens" into federal policy practices would help to achieve tangible benefits and ensure that government decisions do not negatively affect the sector.

The sector lens, or checklist, could be similar to the "rural lens," which helps to guide departmental policies, programs and services to ensure consideration of their impact on rural Canada. (See sidebar for a sample voluntary sector lens checklist.) The checklist would need to be cross-referenced with the relationship's guiding principles.

S a m p l e   " V o l u n t a r y   S e c t o r   L e n s "   C h e c k l i s t

Would the policy, program or regulation in question:

✔ impair or enhance the sector's capacity?

✔ impair or enhance its long-term viability?

✔ preserve or diminish its autonomy?

✔ entice it to stray from its mission?

✔ preserve or detract from an organization's accountability to its members?

✔ ensure that volunteers are not displaced?

✔ ensure that paid workers are not displaced?

✔ respect the sector's timing and cycles?

✔ involve agreement on objectives and outcomes?

✔ create unhealthy competition within the sector?

✔ create negative side-effects for the sector?

✔ permit or facilitate collaboration across government and the sector?

✔ include a dispute-resolution mechanism?

✔ permit flexibility and accommodate changing circumstances?

Strengthening Capacity

The objective of the Table on Strengthening Capacity was to examine ways of enhancing the voluntary sector's ability to meet future challenges and to continue as an effective partner in improving the quality of life for Canadians. The Table focussed on four dimensions of capacity — financial, human resources, knowledge, and information management / information technology — and on priority elements in each dimension.

An important responsibility for the Table was to explain the concept of capacity as it applies to the voluntary sector. As part of this, the Table developed a generic framework that would allow sector organizations to examine their capacities to achieve goals.

The section **Options for Strategic Investments** outlines several mechanisms for strengthening the sector's capacity. Some of these may be implemented immediately, while others need longer time frames. These options are presented for discussion, and may be further developed in consultations involving the government, the sector and other stakeholders.

While this chapter focusses on the voluntary sector's capacity, the federal government's capacity to function effectively in partnership with the sector is also important. Capacity goes beyond funding — although funding is indeed important — and includes other dimensions. The hope is that this chapter and subsequent discussions will enhance this understanding.

What is Capacity?

The report of the Panel on Accountability and Governance in the Voluntary Sector[4] defines capacity as "*the human and financial resources, technology, skills, knowledge and understanding required to permit organizations to do their work and fulfill what is expected of them by stakeholders.*" Capacity could also be described as the total of all the resources of Canadian society engaged in by the voluntary sector. The current chapter attempts to categorize those resources to help focus the capacity discussion.

While capacity at the individual level is important, this chapter deals primarily with capacity at the organizational and sector levels. The chapter also focusses less on capacity *per se* than on capacity to *do* something — and less on introducing new initiatives than on enhancing existing strengths. The Table further addresses the important notion of untapped capacity — capacity not yet utilized but that could be developed by applying the sector's innovative nature. This, of course, is another way of looking at increased productivity, an important federal goal.

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4 *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector,* Panel on Accountability and Governance in the Voluntary Sector, 1999.

Enhancing capacity, it should be emphasized, means more than merely adding to current strengths. It also means removing barriers, impediments and contradictions, and ensuring that no new hindrances are introduced. In this regard, Canada's voluntary sector faces several challenges, many of which have been thoroughly documented in academic papers, policy examinations, consultative procedures and other sources. This chapter advances these discussions by examining matters such as government funding levels and practices; inadequate knowledge base and measurement of contribution; stability and sustainability of organizations; public awareness and communications; achievement of sound operational practices; clarity of mission and mandate; issues around organizational culture; access; and accountability.

The goal of strengthening capacity is to enhance the ability of the sector and individual organizations to achieve their missions, bring their visions to life, and fulfill their roles.[5] The result would be a stronger, more resilient sector, one better able to thrive in the face of current and future challenges. This will lead to a true partnership among all stakeholders who are working to improve the quality of life for Canadians.

> The goal of strengthening capacity is to enhance the ability of the sector and individual organizations to achieve their missions, bring their visions to life, and fulfill their roles.

The efforts and interests of many stakeholders are intertwined in any discussion of strengthening the sector's capacity. The business community as well as provincial governments, for example, both play important roles in addressing the sector's challenges. Other people working and volunteering in the sector also have views and expertise to share on the issue of capacity.

A Framework for the Dimensions of Capacity

The sector's capacity must be viewed from a broad perspective — from the concrete everyday challenges facing small agencies, to the broadest visionary concerns of the sector as a whole. The following generic framework, which can be used for both individual organizations and the overall sector, is presented here to make the notion of capacity more concrete and meaningful for all Canadians — from individual volunteers and board members to staff policy analysts and others — and to assist groups and organizations in assessing their own capacity to achieve goals. As well, the Table hopes the framework will encourage recognition of the common elements shared by all segments of the voluntary sector.

The generic framework consists of four dimensions: financial capacity, human resources capacity, knowledge capacity and structural capacity. All these dimensions and elements are linked. For example, while human resources capacity is presented as a distinct dimension, the other three dimensions also derive from people interaction.

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5 These roles include: influencing public policy; offering Canadians meaningful ways to donate their time and energy; and delivering a wide scope of programs, services and activities.

Financial Capacity

Until a few years ago, voluntary sector "capacity" really meant "funding." But the issue is much bigger than funding alone. Financial capacity includes how well financial resources from all sources are mobilized for and within the sector. A number of elements affect this ability:

An enabling environment to mobilize resources: The sector receives its funding and resources from many sources. An important source is earned income from the organization's own activities. External sources include individual donors, foundations, corporations and governments. Each source contributes to — or hinders — the creation of an enabling environment through the source's particular policies, legislation (in the case of governments), and funding practices. These funding practices include the principles, criteria and administrative aspects of funding, such as timing, stability and distribution (that is, to which activities, priorities and organizations the money flows). For example, various sector components have differential access to funding sources.

The interplay among these sources also has an impact on the sector's financial capacity. This is evidenced, for example, by the public and voluntary sectors competing for scarce private sector resources.

Adequacy of funding: Organizations need sufficient funding to do their work.

Financial management capacity: Financial management refers to an organization's skills in raising and managing money. It includes the effective use of available funds, both for immediate needs and longer term requirements, as well as the acumen to manage funds in an accountable and efficient manner.[6] Skill in seeking new funding is also crucial, whether through effective proposals, the creative generation of donations, or the innovative pursuit of business ventures and partnering collaborations.

Human Resources Capacity

Human resources capacity refers to harnessing, motivating, nurturing, managing and rewarding the individual and collective efforts of paid staff, volunteers and board members.

Leadership: The ability of board members or senior management to steer an organization in the direction of its vision over a long term. Both sector and government leadership capacity are important, as they will work in partnership on common challenges. The governance techniques required in the voluntary sector are different from those in the government or private sector, because of the unique role played by a volunteer board of directors.

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6 This may vary depending on the size of the organization.

A distinction may be necessary between national and local boards. At the national level, greater leadership onus may be on the senior staff, particularly given that boards may meet only quarterly. At the local level, board members are more intimately involved, and therefore more likely to be better informed and prepared to recognize potential problems at an early stage.

People resourcing: The recruiting, screening, staffing, matching (according to interests, skills and needs) and orientation of individual staff and volunteers (including board members). The issue of orientation has an impact on both government and sector capacity; the more familiar that public servants are with the nature and extent of their department's dealings with the sector, the better will be their capacity to assist, support and engage the sector.

Volunteer management: The capacity of an organization, whether a government department or sector organization, to organize, monitor, manage, motivate, recognize and reward its volunteers.

Skills development and maintenance: The acquisition of new skills and the maintenance and enhancement of existing skills through the training, development, management and mentoring of individual staff and volunteers. The competence (that is, the variety and strength of skill sets) of staff and volunteers relates directly to capacity.

Operations management: The capacity to manage the daily and ongoing operations of an organization. Individual and team productivity is also a factor, in that sustainable productivity levels permit more flexibility in the face of change or challenge.

Knowledge Capacity

Knowledge capacity is the ability to learn, create and apply knowledge derived from information.

Knowledge capacity is the establishment, enhancement, management and use of information. It is the ability to generate and amass information, and to assimilate the data into useful knowledge that contributes to informed decisions. In other words, knowledge capacity is the ability to learn, create and apply knowledge derived from information. It includes formal research and performance evaluation, as well as, from the sector's perspective, the knowledge required to effectively deliver programs.

Knowledge takes many forms. For example, it can be practical, academic, traditional or cultural. Enhancing knowledge, especially through information gathering and research, is an important key to strengthening capacity, and sharing and conveying that knowledge — that is, teaching — is as important as learning.

An underlying principle of knowledge capacity is that action must be based on documented evidence. For example, at the sector level, the development of a sound knowledge base concerning the sector's nature, dynamics and impact could lead to attracting and justifying more strategic investments. At the organization level, agencies could use documented information on their performance to attract or maintain funding.

Research: The ability to design and conduct primary and secondary research, analyze the results, and present the information in a way that influences or strengthens policy and operational decisions.

Information and data collection, management and dissemination: The ability to identify, locate and collect new and existing information, as well as administrative and survey data sets, and the ability to organize, manage and maintain them so that they meet user needs. This element also includes the ability to get the information to the people who need it, in a way that allows them to use it quickly and easily.

Policy capacity: The ability to collaboratively generate and apply knowledge, networks, contacts and processes to ensure sound policy development in both the sector and the government, in a way that benefits the sector and the public. Communication is key; it is important that organizations establish a two-way flow of information with their membership/constituents, deriving input from them and delivering policy information to them.

Structural Capacity

Structural capacity is a broad area that encompasses the systems, tools, infrastructure and mechanisms that give organizations, and the sector as a whole, their form and function, and allows the sector to constitute a distinct element of Canadian society. Strengthening structural capacity contributes to more and better networking and collaboration at the sector level, between and within organizations. Upgrading an organization's physical surroundings creates a more comfortable and efficient environment for clients and staff, and can often lead to better client service.

> Strengthening structural capacity contributes to more and better networking and collaboration at the sector level, between and within organizations.

Physical assets: Land, building facilities, equipment and other physical resources, including their maintenance and the ability to use them. (Crumbling infrastructure leads to reduced capacity, that is, the "rust factor.")

Technological capacity: The development, acquisition and productive use of technological tools (for both information and communications management) and related content in achieving a mission or mandate.

Organizational capacity: The capacity to organize work, manage volunteers and activities, and partner and network with other organizations to achieve goals. This includes achieving economies of scale, working together to attain a more unified voice across the sector, and eliminating duplication. Organizational capacity also relates to the number of employees and the "depth" of an organization and its branches (that is, fewer staff, lower capacity).

Administrative capacity: The design, implementation and management of administrative systems, including service and program delivery.

Legal capacity: The expertise and skills to ensure that, at a minimum, the organization understands its responsibilities and obligations under law.

Options for Strategic Investments

While the strategic reallocation of existing resources could achieve some progress in strengthening the voluntary sector's capacity, an infusion of new federal funds over the long term in a few select areas would be the most strategic and effective means of strengthening capacity. The investment of new federal funds, combined with the continuing actions of line departments, would allow the government and the sector to achieve important goals such as improved productivity and quality of life.

While federal funding is critical, the sector has much to contribute in terms of strengthening capacity. The four dimensions of capacity (see below) hold particular relevance for enabling organizations whose job is to enhance the sector's capacity. As entry points into smaller organizations in both rural and urban settings, several national organizations work to build capacity.

The following options focus on enhancing capacity in four strategic areas — funding, human resources, knowledge, and information management / information technology. These options for strategic investment are listed either as actions for immediate commitment and implementation, or for longer term work, often requiring more detailed analysis and consultation. Some are smaller initiatives of a building-block nature, while others call for greater collaboration and commitment of resources. While a balance has been sought between sector-wide and organization-specific initiatives, the sector-wide options will also benefit individual or frontline agencies. The important work of costing these options requires further analysis.

Financial Capacity — Mobilizing Resources

Government-Wide Principles: Creating an Enabling Environment

The voluntary sector has endured a period of erosion in its funding levels. Many sector organizations face increased funding pressure due to reduced federal funding, and they face more demands on their services and activities. This is particularly true since the federal government's Program Review in the early and mid 1990s.

Before Ministers consider resourcing options, however, the Table proposes the option that the current situation be more thoroughly analyzed, based on existing information and data. This could be facilitated by a task force.

Such a task force could formulate specific recommendations to the federal government concerning government-wide principles and, in some cases, guidelines, on federal resourcing of the voluntary sector.[7] The objective would be to generate strategic investments for the long-term, as well as to enhance specific funding practices and, in turn, the stability of funded organizations.

A starting point for the task force might be an examination of current and past levels of federal funding. The task force might also:

- assess instruments such as direct and indirect funding;
- build on the work of the three Joint Tables; review innovative practices in the private and voluntary sectors (both in Canada and abroad);
- conduct research into government programs that compete with the voluntary sector for private sector resources, and into those parts of the sector most exposed to the consequences; and
- assess federal workplace charitable campaigns, including the possibility of periodically freeing employees to volunteer.

As well, several federal departments and sector organizations already have well-established funding relationships; some of these could be examined as models.

Government-wide principles could guide individual departments as they make their decisions on funding amounts and recipients. Recommendations related to indirect support through the tax system could have a far-reaching impact on the sector's ability to mobilize and manage resources from various sources.

To determine whether a targeted or comprehensive approach would best address the issue, the research could include the canvassing of private sector firms to determine how often they are approached by governments[8] or the sector, and for what kinds of support.

The *Income Tax Act* is the federal legislation with the greatest impact on creating an enabling environment for resource mobilization. While federal tax policy does much to encourage donations, continued review and refinement of the legislation's administrative aspects could significantly benefit the sector. For example, public perceptions and the disbursement quota, both of which ensure that public money goes largely toward charitable intents, make it difficult for organizations to invest in capacity building. Such investments are considered to be money not spent on providing the agency's services, programs or activities.

Government-wide funding and resourcing principles or guidelines would encourage strategic investments in voluntary sector organizations and initiatives, while maintaining flexibility for individual departments. They would also allow departments to decide, in the longer term and on a case-by-case basis, which organizations to fund, how much to provide, and which funding practices to follow.

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7   The Table took the view that an increased federal contribution toward an enabling environment is a wise investment. The government seeks to work with the sector as a partner in program and service delivery, for consultations, and as a conduit for receiving grassroots information, including bringing emerging trends onto the national radar screen. The government also wants sector assistance in achieving progress on key national issues.

8   This would include, at a minimum, the federal government — and could, with more effort, encompass provincial governments as well.

Suggested Mandate for a Task Force on Federal Funding and Resourcing

The Task Force's overall mandate would be to recommend government-wide principles or guidelines regarding federal resourcing of the voluntary sector. Its endeavours would include:

➧ **Completing** the comprehensive analysis, started in the spring of 1999, that is examining which sector organizations currently receive federal funding (directly through grants and contributions, and indirectly through the tax system), for what purpose, and how much they receive, to get a better overall picture of federal support.

➧ **Examining**, with the sector:
- current and preferred funding practices (for example, best practices)
- accountability and performance measurement
- respective merits of core and project/program funding
- relative merits of direct and indirect funding
- ways to reduce red tape and streamline administration (including related regulations and legislation)
- timing of funding (for example, yearly or stabilized funding over longer terms)
- feasibility of "arts stabilization funds" in other areas of the voluntary sector to enhance funding stability and management/governance capacity
- mechanisms for funding the strengthening of organizational and sector capacity, including alternatives and variations to grants and contributions, such as matching funds, endowment funding and arm's-length foundations
- options to ensure that funding adequately covers expenses such as administration, volunteer coordination, technology, training and management
- the consequences for the sector when federal funding policy changes are made (for example, reductions in core funding)
- private sector sponsorship of government initiatives to determine how much is involved (dollars, people and time), and whether it is problematic for the sector

➧ **Recommending** other measures, such as principles, to create a more enabling resourcing environment, by:
- reviewing and confirming the rationale behind current federal funding, and reviewing the data on recent recipients and amounts in light of this determination

➧ **Analyzing** government-wide principles (and in some cases guidelines) for making strategic investments in the voluntary sector, namely:
- which organizations should receive funding; which priorities should be funded (for example, technology, leadership development, etc.); ways to strengthen charitable workplace campaigns; steps to address coordination; and collaboration within the three-way relationship among the public, private and voluntary sectors

National Volunteerism Initiative: More and Better Experiences for Volunteers

The contribution of volunteers (including Board members) is a key factor in the ability of voluntary organizations to do their work. Therefore, the Table proposes the option of a National Volunteerism Initiative that would:

- encourage Canadians to participate in voluntary organizations;
- improve the capacity of organizations to better benefit from the contribution of volunteers.

The Initiative would achieve its objectives by: promoting volunteerism; encouraging employee volunteerism (including in the federal government and private sector); enhancing organizations' capacity to recruit, support, recognize and retain volunteers; and making the volunteer experience as meaningful as possible for participants.

A commitment to make early investments in a National Volunteerism Initiative would allow capacity-building efforts to begin as soon as possible, by way of pilot and demonstration projects. The results from these piloting efforts, when combined with the other research endeavours cited in the report, would lay the foundation for larger, more informed and more effective investments to be made in the future.

The Table made additional observations about this option:

- Other initiatives (for example, those related to knowledge) would feed into this initiative;
- Timing is important in that organizations must have the capacity, including trained personnel, to receive and manage new volunteers before they are brought in;
- Various segments of society, such as youth, seniors, persons with disabilities, new retirees and "virtual" volunteers, could be targeted as a source of new volunteers;
- Special measures are required to recruit members for volunteer boards of directors, and to enable them to fill their role effectively.

Encouraging voluntary activities as a means of broadening personal horizons would help to strengthen Canada's social fabric. Federal departments, provinces, voluntary sector organizations and other stakeholders would participate in ways appropriate to their mandates and interests.

Staffing and Skills Development Strategy: More and Stronger Personnel

While many tools exist — in both the voluntary sector and academic settings — for the recruitment, selection and training of staff, the tools are scattered, difficult to access, and underused by voluntary organizations. For this reason, the Capacity Table proposes the option of a staffing and skills development strategy. The purpose of such a strategy would be to attract additional talent into the voluntary sector, and to enhance the skills of existing participants.

To achieve this, the strategy's objectives would be to:

- **Position** the voluntary sector as an employer of choice for recent and potential graduates. There could be a coordinated effort to show young people that they can build a solid career in the sector.
- **Broaden** the pool of new recruits with appropriate skills.
- **Enhance** the capacity of current staff and leaders to achieve their organization's mission.

A key component of the strategy would be an in-depth, sector-wide analysis to review various issues. These issues include: salary benchmarks; educational and skills requirements, including an identification of gaps both within the sector and in education; the tools and mechanisms (including information technology) needed to enhance staff skills; barriers to selecting the sector as a career choice; and recruitment and retention practices.

Human Resources Development Canada (HRDC), for example, is currently conducting a study on human resources in the voluntary sector. There is a need for more such studies, particularly into more systematic, long-term solutions to staffing and skills development. The Implementation Group could play an advisory role here through a task force.

As well, support is needed to facilitate voluntary sector research that would document best practices in the education, selection, recruitment and training of staff and leaders. Research endeavours could complement the HRDC study, and would require collaboration with the academic sector. Educational needs could be addressed by expanding existing courses, and by designing educational modules for university programs.

To enhance staff skills, several options are available. An important one — which the federal government could facilitate — involves personnel exchanges, placements and matches. All concerned would benefit from placing public servants in voluntary sector organizations, perhaps matched with parallel sector employees, and lending sector personnel to federal departments. This two-way transfer of people, skills and expertise would raise awareness of sector issues, win new sector champions, and hone the skills of sector personnel in such critical areas as policy and research. Such programs should be designed to benefit departments and agencies of all sizes, and would require incentives to encourage people to participate.

> This two-way transfer of people, skills and expertise would raise awareness of sector issues, win new sector champions, and hone the skills of sector personnel.

Another available option to enhance staff skills is distance learning, using information technology as an aid (for example, Internet training modules).

Knowledge Capacity

Measuring and Tracking the Sector's Contribution: Volunteering and the Sector

Relatively few Canadians understand the importance of the voluntary sector. One reason for this is that available information about the sector has not been compiled systematically in an organized framework. In some other economic sectors, by contrast (such as tourism), systematic data-gathering has contributed significantly to an increased valuation of those sectors and their activities.

The Strengthening Capacity Table proposes the formalizing, and the comprehensive tracking and understanding, of the voluntary sector and its contribution to society. This would be a means of publicly establishing the sector's importance as a vital pillar of society.

> Understanding the voluntary sector and its contribution to society would be a means of publicly establishing the sector's importance.

A key component of measuring and tracking the sector's contribution could be a repeat of the 1997 National Survey of Giving, Volunteering and Participating within three years, and regularly thereafter. This would provide crucial information about longer-term trends. It would also provide data for the suggested Annual Report (see the following section on Awareness/Engagement) — information that speaks to all Canadians. In addition to establishing the voluntary sector's ongoing importance as a pillar of society, the sector's contribution to Canada's quality of life also merits attention.[9] This could include developing specific indicators on quality of life[10] at the national, regional and community levels, and on the health, strength, funding levels and sustainability of the sector. Furthermore, measures would be taken to ensure that the information is widely disseminated.

As well, a permanent "satellite account" on the voluntary sector, as a subset of Statistics Canada's System of National Accounts (S.N.A.), could be developed. The S.N.A., which traditionally uses monetary value as its common denominator, has in recent years been extended in the form of "satellite accounts" that include non-monetary data. Non-profit institutions are already a traditional subset of the S.N.A., so the broader voluntary sector is well suited to be established as a satellite account. As a beginning, the account could include the following:

- definition of the voluntary sector
- classification of activities, deliverables, objectives and institutions
- sources and uses of funds
- financial assets and liabilities
- labour supply
- physical assets
- details on users, investors, transfer recipients

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9 A Leaders' Forum organized by the Public Policy Forum in May, 1999 saw leaders from the public, private and voluntary sectors agree on the value of the development of quality of life indicators as a strategic investment.

10 as is currently done for the public and private sectors.

- management structures
- annual and sub-annual indicators
- local and national perspectives

By comparing this crucial sector-wide and organizational information with the results of an ongoing National Survey of Giving, Volunteering and Participating, a solid, evolving, overall picture of the sector, and on important aspects of its resource base, would be provided.

The data collected would form part of an analytical framework that includes a recording of funding levels. As with the staffing and skills development strategy, the Implementation Group would play an advisory role through one of its task forces.

Awareness/Engagement Strategy: Sector's Capacity to Tell its Story

Support and involvement are critical to sector organizations.

Surveys show that, compared with other sectors, Canadians have a high level of confidence in the voluntary sector. Several key groups of Canadians, however, still lack a thorough understanding of the sector's nature, needs and challenges, and the opportunities the sector affords. This lack of understanding is a barrier to enhanced support of, and involvement in, the voluntary sector. Support and involvement are critical to sector organizations.

For this reason, the Capacity Table proposes the option of forming an awareness/engagement strategy to energize and mobilize more resources for the voluntary sector — more people, and more financial support. The strategy would seek to achieve this by:

- **better informing** key and influential target audiences about the voluntary sector's role, importance and development, as well as about the benefits of being involved;
- **advancing an understanding** of the sector's unique contributions (as noted by the Relationship Table);
- **positioning** the sector as an employer of choice.

A first step toward enabling the sector to strategically and persuasively tell its story would be research into the sector's nature and functioning as a networked system.[11] Another critical step is the dissemination of information. Carefully designed dissemination tools are required to ensure the effective employment of the new information gathered through satellite accounts, surveys and research.

To guide the development of these communications tools, research is needed. Federal funding and expertise are required to support sector-led research concerning target audience attitudes and perceptions, and the development and testing of key messages and vehicles related to enhancing target audience awareness and involvement. This would ideally be followed by similar federal assistance to develop and implement the strategy over the long term, targeting key segments of society.

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11 The sector can be thought of as having its own ecosystem, with a series of living networks reaching out to all diverse communities of interest across the country and abroad.

Policy Capacity: Policy Fellowships and Internships

The Strengthening Capacity Table addressed the issue of making the voluntary sector a more viable partner in the development of public policy. In this regard, the option identified for consideration is to initiate and financially support policy internships and fellowships between the sector and government. Sector personnel would be seconded to work in departmental policy branches, and fellowships would encourage academics and graduate students to pursue studies in aspects of public policy that relate to the sector. Similarly, government personnel would be seconded to intern in voluntary sector organizations to share expertise.

To ensure that involved sector organizations do not suffer in the short term, a government-supported means would be required to allow groups to replace seconded individuals. Also, the internships would need to be sufficiently long — ideally at least one year — to enable a meaningful transfer of knowledge. As well, sector input into the program's design would be essential.

> Fellowships would encourage academics and graduate students to pursue studies in aspects of public policy that relate to the sector.

Fellowships have been used successfully in the past, but must be reinstated to suit the current environment. They must be supported by a policy network of academic, government and sector policy experts (domestic and international) to ensure the dissemination and sharing of results and discussions, and to link the sector research community (as noted below) for the longer term.

Research Capacity: New Research and Information Sharing

When faced with new and emerging needs, many voluntary sector organizations — in particular small, local groups — must respond immediately, often without the benefit of sound research. Accordingly, the Capacity Table proposes encouraging the development of a voluntary sector research community.

More and better research into the contributions, needs, nature and activities of the voluntary sector — especially frontline agencies — would allow them to: better serve their clients, better meet government needs for enhanced accountability and performance measurement, and improve dissemination of research results and information.

The development of a sector research community could be encouraged through increased federal financial support. This could include support for: the dissemination and sharing of related expertise (such as sponsoring fora for sector organizations, academics and government); pursuing opportunities to strengthen the sector's research and policy capacity; and studies on such matters as the impact of agency work on the lives of beneficiaries.

Funding providers often insist on evaluations of program effectiveness. Yet the sector either has no means for conducting such measures, or agencies are unaware of them. Research, combined with enhanced dissemination of results, would address this need. All research funding should provide for thorough dissemination of results. As well, this initiative should be implemented in cooperation with provincial interests.

In addition, the option should be linked with the Awareness/Engagement Strategy discussed above. And, it is mutually supportive of other studies and data-gathering options — including the permanent "satellite account" with Statistics Canada, the National Survey of Giving, Volunteering and Participating, and the funding of sector-led research initiatives.

Information Management / Information Technology (IM/IT)

IT Competence: Youth "ITCorps" in Action

The voluntary sector's position in the emerging knowledge-based and knowledge-connected society needs to be strengthened. In response to this need, the Capacity Table proposes the option of undertaking a youth "IT Corps" initiative.

A youth employment/co-op/apprenticeship program in information technology and management would have several objectives, including to: develop new skills for young people and sector organizations; make youth aware of the sector as a career choice; and enhance information use and sharing among organizations in the sector and elsewhere as IM/IT use improves.

The initiative, aimed primarily at recent IT graduates or individuals from other fields with a demonstrated IT competency, would also provide the sector with a pool of competent youth, often as IT coordinators, with training extended to sector staff where appropriate. The private sector could also be involved. As well, the initiative could lead to more comprehensive support for creative IT solutions in sector organizations.

Programs such as VolNet, and donations of hardware, software and related expertise, are extremely valuable. The voluntary sector, however, needs people with the appropriate skills and knowledge to use these tools. While this initiative will help to address this need, other avenues for permanent staffing and funding of IT positions — and systematic ways to train more staff — should also be pursued.

The Implementation Group would play an oversight role here through a task force.

Technological Capacity: Development of Software and Internet/Intranet Programs

By applying the latest technology and systems expertise to the voluntary sector's activities — and by, at times, developing new technology for the sector — the operational efficiency and effectiveness of sector organizations (especially regarding business processes) can be enhanced. The Table therefore proposes an option to commission a needs and cost/benefit analysis of the development of specialized "scalable" operations software for the voluntary sector. Promising results here would, ideally, lead the federal government to co-fund the actual development and broad distribution of the software.

An important aspect of the cost/benefit analysis could be to examine current sector investments in this area. Major national sector organizations are starting to invest significant donated revenue in the development of generic or proprietary software, to enhance efficiency and effectiveness and to lower costs. These software applications are scalable, and may often be applied in smaller organizations or through an agency's Intranet or the Internet. Some of these applications will be shared, and some will be proprietary to support the development of an organization's intellectual property.

The cost/benefit analysis could show that such voluntary sector investments could be just as beneficial as those in the private sector (most notably in high technology and aerospace) and beneficial in the development of new technology. As IM/IT competency becomes more common in the sector through initiatives such as the proposed youth "ITCorps" program, such operations software would find even broader, more common usage.

Improving the Regulatory Framework

Introduction

Canada's regulatory framework for the voluntary sector should balance two needs: the need to ensure public confidence in voluntary organizations, and the need to ensure a supportive and enabling environment for them. This balanced approach, currently practised by the Charity Commission for England and Wales, can inform the work to develop an evolving regulatory relationship between Canada's voluntary sector and federal government.

A regulatory framework has three component parts: the legislative framework, any institutional arrangements, and the administration of regulation. While the Table on Improving the Regulatory Framework explored options for improvement in each of the three component parts, the Table recognizes that issues and related solutions often crossed that categorization.

> Canada's regulatory framework for the voluntary sector should balance two needs: the need to ensure public confidence in voluntary organizations, and the need to ensure a supportive and enabling environment for them.

The Regulatory Table also recognizes that any action the federal government may wish to take in this area that has fiscal implications must satisfy the standard tests of public choice, that is: whether support through the public purse is needed, and whether the case has greater merit than alternative demands on the public purse.

The Primary Focus: Charities

The federal regulatory framework touches voluntary sector organizations in many ways. While most non-profit organizations, if they incorporate, do so under provincial law, a minority resort under Part II of the *Canada Corporations Act* or other federal statutes.

Non-profit organizations are exempt from paying income tax in general. A non-profit organization may also, however, apply to Revenue Canada to be registered as a charity for purposes of the *Income Tax Act*. If the organization is granted registered charitable status, it can then issue receipts to donors for income tax purposes.

The definition of a charity, and therefore what can be registered as a charity for purposes of the *Income Tax Act*, is a complex question. The *Income Tax Act* does not define "charity." To be registered, an organization's purposes and activities must conform with a definition of "charity" that comes from a culmination of four hundred years of common law experience. The Regulatory Table believes there is a need for greater clarity in this area. In the future, the government could address this question further with the voluntary sector.

A registered charity is required to demonstrate, through an annual return (the majority of which is a public document), adherence to common law principles and to a number of requirements in the *Income Tax Act*, including meeting a disbursement quota. The disbursement quota is a rule that, in part, requires that 80 percent of a charity's receipted revenues be spent on charitable activities. A charity must also adhere to rules regarding political activity. (Non-profit organizations that are not registered charities are required to file a confidential annual return if they meet certain income or asset thresholds.)

Revenue Canada may perform an audit on a charity, with respect to its financial matters as well as its objects and activities. Non-compliance may result in de-registration.

While the regulatory framework applies generally to the broader voluntary sector, this chapter focusses primarily on the framework's application to charities, since they are subject to considerably more regulation.

Transparency means informing, reporting, responding to requests for information, and conducting one's affairs in a manner that can be easily observed and understood.

Reasons to Change the Regulatory Framework

The goal of changing the regulatory framework is to help develop and maintain a healthy, thriving and productive voluntary sector. The following are five key reasons why change in the regulatory framework is needed.

1   The Registration Process is not Transparent

Transparency means informing, reporting, responding to requests for information, and conducting one's affairs in a manner that can be easily observed and understood. Transparency is essential to demonstrating accountability.

The current registration system for charities, however, is perceived as administratively complex, and it is difficult to understand. Due to provisions of the *Income Tax Act*, applications and their consideration by Revenue Canada must be kept confidential. There can be no public notices or hearings, and Revenue Canada's Charities Division is prohibited from publishing the reasons for a decision to refuse an application. Therefore, it is never clear how such decisions would apply more broadly and how the common law is interpreted and administered in determining eligibility for tax status. More transparency is needed to provide guidance to other organizations that are seeking charitable status.

There is a need for greater clarity of the rules. Public assumptions about what is allowed differ from what is in fact permitted by law.

2   Compliance: Clarity, Assistance, Enforcement, Appeals

There is a need for greater clarity of the rules. Public assumptions about what is allowed differ from what is in fact permitted by law. If the rules of eligibility for registration are unclear, so are the numerous rules of compliance.

There is a need for more effort to assist charities to fully comply with the law. Currently, for organizations that do not comply, the regulator has no hierarchy of sanctions other than the ultimate sanction of de-registration on which to rely.

As well, there is no easily accessible process for appeals of administrative decisions to register or de-register an organization, as the only review process available is the Federal Court of Appeal. That is an expensive process, and the few cases on record are an insufficient source of guidance for the regulator and the sector.

3 Support for Other Public Benefit Organizations

The lack of appeal cases heard by the courts has hindered development of the law with respect to defining eligibility for charitable status. While some four thousand new charities are registered every year, certain types of public benefit organizations have difficulty qualifying — and yet there may be a consensus among Canadians that some of these groups should qualify.

4 Public Information and Knowledge

There is too little public information available about the voluntary sector. This impedes transparency and equitable access to registered charity status. Furthermore, information that is available is not always consistent, is often designed for a different purpose, or is too narrow in scope.

While a goal should be to have more information publicly available, the Table recognizes that some information should remain confidential. For example, complaints or internal action such as audits require a measure of discretion.

5 The Broader Not-For-Profit Voluntary Sector

Linkages exist between issues affecting the voluntary sector component that comprises organizations not registered as charities and issues in the charitable component. One such issue is the need for more effective reporting to improve accountability.

The Table recognized, however, that extending the scope of this review beyond income tax considerations would rapidly lead into issues of provincial jurisdiction. Thus, the primary focus of this work on the federal regulatory framework relates to the charitable component of the voluntary sector.

The Regulatory Issues

The Regulatory Table identified and prioritized a number of issues that needed to be addressed with respect to enhancing the regulatory framework. The following were top priority issues addressed by the Table.

- **Institutional arrangements:** do we need new ones? Related issues are: the registration process; dispute resolution and appeal; compliance, including intermediate sanctions; public information; and public confidence.
- **The line between public education, advocacy and political activity:** where should it be drawn? A related issue is the appropriateness of the "**10 percent rule**" for charities, compared with the treatment of the costs of lobbying undertaken by business or other non-voluntary groups.
- **Reporting requirements** for charities and other not-for-profit voluntary organizations: are they effective? Are they burdensome?
- **Funding**. Specifically: the advantages and disadvantages of tax assistance and various forms of direct financial assistance; the who, why and extent of direct funding; and the overlap between tax assistance and direct funding.

The Table identified two additional issues as being urgently important and in need of more exploration:

- **Liability** of directors and voluntary organizations: should it be capped to remove impediments to serving in voluntary organizations? Should standards of the duty of care and standards of loyalty be codified? As well, broader issues such as insurance and indemnification need further study.
- **Related business activities** by charities: there is a need to clarify the rules.

The Table identified the following issues as having second-order priority. While the issues were not addressed, they could be considered by the Implementation Group.

- **Corporate best practices, code of ethics and fundraising:** should they be subject to self-regulation or legislation, or a combination of both?
- **Should hospitals and universities** be regulated as charities?
- **The lack of coordination** between provincial action taken on compliance and its implications for federal registration status with Revenue Canada.
- **Operational issues**, including: defining applicable expenditures for the disbursement quota; accounting definitions; disclosure by private sector contractors competing with charities; various issues around charitable gifts; restrictions on activities abroad; the scope and implications of residency requirements; and whether there should be registration fees.
- **Wholesale review of the register** of charitable organizations: should obsolete organizations, or organizations that are no longer charitable, be removed?
- **Organizational law reform issues:** whether it is desirable, appropriate or urgent to have a common legal framework for non-profit organizations; the relationship between federal and provincial statutes; and conflicts between organizational law and charity/equity law.

Options for Regulatory Change

Legislative Change

Public Access to Information

Much of the information registered charities have traditionally filed annually with Revenue Canada is exempt from the confidentiality provisions of the *Income Tax Act*, and therefore can be publicly released. Since 1998, additional information has been permitted to be publicly released, including a registered charity's application for registration, its corporate documents, the notice of acceptance, and the grounds for revocation for a charity whose registration has been revoked.

Applications for registration that are not accepted, however, and the Department's reasons for refusal, cannot be disclosed.

The fact that more information can help support an enabling environment for the voluntary sector was noted by both the Table on Strengthening Capacity (in its discussion of the need for comprehensive tracking of the sector contribution to society), and by the Table on Building a New Relationship (in its proposals on reporting to Parliament).

> The fact that more information can help support an enabling environment for the voluntary sector was noted by both the Table on Strengthening Capacity and by the Table on Building a New Relationship.

Equally important, the non-disclosure of information surrounding the registration process makes it difficult for organizations to clearly understand the common law and the rules. Organizations need to become educated about the process and what can be registered and not registered. Non-disclosure also impedes accountability for decisions.

To address these shortcomings, the Regulatory Table proposes that consideration be given to the option that, subject to provisions of the *Privacy* and *Access to Information Acts*, release of information within the registration process (i.e., applications for registration — including proposed objects and activities — and reasons for decisions) be permitted under the *Income Tax Act* and therefore publicly available.

This raises two issues: the likelihood of third party intervention as a consequence of opening up the process, and political pressure. The Table believes that the risk of pressure is controlled, because the determination of eligibility remains based on objective analysis of the law and the specifics of an application. As for third party intervention, any information that would come forward could actually be a positive development. And in future, hearings could be held on the merits of a particularly controversial application.

It should be noted, however, that there is still other information on registered charities held by Revenue Canada that cannot, and should not necessarily be, disclosed. For example, the fact that an audit is taking place may be a routine affair, but public disclosure of the fact may give the impression that an organization has a problem that is under investigation. Similarly, unfounded complaints may be launched against an organization. Disclosure of such information would be prejudicial, and could inflict serious damage on a charity's reputation and operation.

Advocacy

The Meaning of Advocacy

Advocacy, in general terms, can be defined as the act of speaking or of disseminating information intended to influence individual behaviour or opinion, corporate conduct, or public policy and law. However, while the act of advocacy is merely a means to an end, the nature of the public benefit which accrues needs to be considered.

There is a widely shared view that the act of advocacy, as a form of free speech, is an essential part of democracy and therefore intrinsically beneficial to the public.

Advocacy often occurs in the context of activities intended to educate and inform, while at other times it could be described as a political activity. There is a widely shared view that the act of advocacy, as a form of free speech, is an essential part of democracy and therefore intrinsically beneficial to the public.

Problem Areas for Charities

With respect to such advocacy-related activities, charities are currently subject to a regulatory regime that derives from:

- case law, regarding the boundaries between permissible charitable endeavour and impermissible political activity, and between education and promotion of a point of view;
- the *Income Tax Act*, which has provisions limiting political activities by charities; and
- Revenue Canada's specific interpretation of the *Act*'s provisions.

Generally, the rules may be summarized as follows:

- education must not amount to promotion of a particular point of view or political orientation, or to persuasion, indoctrination or propaganda; and
- a charity cannot have political purposes; but
- it may devote some of its resources to political activities as long as:
  - they are non-partisan;
  - they remain "incidental and ancillary" to the charity's purposes; and
  - substantially all ("90 percent") of the charity's resources are devoted to charitable activities.

(Note: Political activities in this context involve efforts to influence the law, policy, or public opinion. Many types of activity can be political, including speaking to a House of Commons committee, calls on Ministers or senior public servants, organizing letter-writing campaigns, demonstrations or boycotts, and publishing handbills or taking out advertisements in the media.)

It is important to emphasize that, because a charity cannot be established for what the courts consider a political purpose, and because political activities are permissible if they are of a certain character and quantity, the key question is always whether the "advocacy" activity at issue is a form of "political activity." For, if it is not so considered, it could be perfectly permissible, either as a purpose or as an activity. The problem is that the law lacks clarity in giving guidance on what are political activities.

To Address the Problem Areas for Charities:

An option discussed was that, instead of its current definition, section 149 of the *Income Tax Act* be changed to permit advocacy by charities in particular instances. To accomplish this, consideration should be given to clarifying, in the *Income Tax Act*, that charities may engage in both certain "political activities," and other forms of advocacy, provided that:

a) the activities relate to the charity's objects, and there is a reasonable expectation that they will contribute to the achievement of those objects;
b) the activities:
   i)   are non-partisan;
   ii) do not constitute illegal speech or involve other illegal acts;
   iii) are within the powers of the organization's directors;
   iv) are not based on information that the group knows, or ought to know, is inaccurate or misleading;
   v)   are based on fact and reasoned argument.

The Table sees little merit in quantitative limits on the extent of advocacy activities, whether set in law or through departmental policy, although such activities cannot become predominant. The contention here, however, is that the 10 percent ceiling allows far too narrow a scope as a general guidance.

The Regulatory Table therefore proposes the option that consideration be given to modifying the "10 percent" rule. The rule that all or substantially all of a charity's resources must be devoted to its charitable purpose — which has been interpreted to mean that a charity may not devote more than 10 percent of its resources to "political activities" — should, the Table believes, be significantly attenuated, as long as the activities do not predominate in the agency's work.

Advocacy by Non-Profits that are not Registered Charities

In addition to registered charities, some public benefit organizations engage in advocacy to varying degrees. Still other non-profit organizations primarily seek to promote private or mutual benefit of their members.

The cost of "advocating" (i.e., lobbying) by business is normally treated as an expense for the purpose of corporate income tax, thus potentially reducing the net cost of such activity substantially. In part to compensate for higher net costs, the Table proposes that advocacy activities by some types of voluntary sector organizations that are currently not registered as charities are worthy of public support and should receive more support than they do now.

The Regulatory Table members suggest that the first test that groups must meet in order to qualify for public support is that they cannot be for-profit, and do not primarily promote their members' interests.

The sense among Table members was that either direct funding or access to the tax system, or both, might be most appropriate, depending on the circumstances. The Regulatory Table did not recommend what would be the preferred way to express such public support.

Regulatory Table members submit for consideration the option that specified types of public benefit organizations partly or fully engaged in advocacy activities, and that do not qualify for registered charitable status, be, in principle, eligible for registration as a "deemed charity," resulting in similar or identical access to the tax system.

Below are some specific proposals to address the issues raised by this suggestion.

In the opinion of Table members, voluntary organizations that:

a) are not-for-profit and do not primarily promote their members' self-interest, and
b) whose activities fall within the boundaries delineated under part b) on page 51,
   should receive more public support than they do now. Further, the option of
   support through the tax system should, in principle, be more broadly available.

The belief here is that Canadians would widely support extending tax advantages to groups that meet these two tests, and that, for example:

- promote tolerance and understanding within the community of groups enumerated in the Canadian Human Rights Code;
- promote the provisions of international conventions to which Canada has subscribed;
- promote tolerance and understanding between peoples of various nations;
- promote the culture, language and heritage of Canadians with origins in other countries;
- disseminate information about environmental issues and promote sustainable development;
- promote volunteerism and philanthropy.

The above list is an illustration of the types of activities that could be added to the types of groups listed in section 118.1(1) of the *Income Tax Act*. It is conceivable that, like political parties, non-charitable advocacy groups could be made subject to a different rate of tax assistance than are registered charities.

A further question for exploration is: whether what is of public benefit would, from time to time, be defined by regulation or law, possibly with involvement of a Joint Committee of Parliament as proposed by the Panel on Accountability and Governance in the Voluntary Sector.

Groups engaged in such activities, and that meet the above tests, could then, as do National Arts Service Organizations and Registered Canadian Amateur Athletic Associations (RCAAAs), become "deemed charities." RCAAAs are subject to virtually no regulatory oversight, which is clearly an anomaly. The Table therefore suggests the following option: that consideration be given to a proposal that "deemed charities," present and future, be subjected to the same regulatory oversight for purposes of the *Income Tax Act* as are registered charities.

Directors' Liability

The willingness of volunteers to serve on governing boards can be impeded by the terms and scope of directors' liability. These issues include: difficulties in obtaining liability insurance; codification of the "duty of care" and the "duty of loyalty;" and the fact that liability is not limited to the tenure of position but could extend beyond it.

As well, the June 17, 1999, Supreme Court decision in Bazley vs. Curry regarding the principle of vicarious liability has heightened apprehension among voluntary organizations, especially those that work with vulnerable populations.

While the issue of directors' liability is primarily an issue of provincial responsibility, the federal government can potentially act alone in areas under its jurisdiction. Also, there is an opportunity for the federal government to assume a leadership role on the liability issue in general. An option proposed by the Regulatory Table is that Industry Canada could be asked to undertake, with urgency, a critical analysis of the liability issue. The analysis could include a clear definition of the problem, goals and objectives, and an action plan for resolution. The provinces could then be engaged (through appropriate federal/provincial mechanisms), as could other parties such as the Law Commission of Canada or the Uniform Law Conference.

Institutional Change

Given the objectives of the regulatory framework for the voluntary sector and the need to make changes therein, the Regulatory Table has developed three models for the institutional or regulatory oversight arrangements:

Model A: an enhanced Revenue Canada Charities Division (RCCD).

Model B: an agency, somewhat similar to that proposed by the Broadbent Panel on Accountability and Governance in the Voluntary Sector.

Model C: a commission, similar to the Charity Commission for England and Wales.

Below is an outline, in broad terms, of the models' core mandates. The current vision is that each would be a federal body. There is potential, however, to design structures in a way that would allow opting-in or some other type of coordination with provincial authorities.

Model A: Enhanced Revenue Canada Charities Division (RCCD)

The RCCD would retain its current authority for the administration of the *Income Tax Act* with respect to charities. The Division's mandate, however, would be expanded to include responsibility for facilitating public access to information about charities, and responsibility to assist charities with registration and compliance with the law.

The Division would be assisted by a committee, composed of individuals knowledgeable about charities and the law, that would advise on all aspects of the Division's expanded mandate. In addition, charities would be able to request an administrative review within Revenue Canada of RCCD decisions.

Model B: Agency

The agency's functions would complement those of Revenue Canada's Charities Division. While the RCCD would still make the decisions, the agency would, at greater arm's length than the advisory committee of model **A**, make recommendations on difficult cases, issue policy advice, and help organizations to comply with the regulator.

As well, the agency would nurture and support charities and other voluntary organizations, and provide information to the public. This complements the option, outlined by the Table on Building a New Relationship, for an agency to nurture the relationship between the federal government and the voluntary sector.

Model C: Commission

A quasi-judicial commission would undertake most of the functions currently carried out by the Charities Division. It would provide authoritative advice to the voluntary sector, and expert adjudication of appeals on decisions by its Registrar. At the same time, such a commission would have a support function not unlike model **B**'s agency.

The Models' Shared Assumptions

The Table assumes that the following conditions would apply to all models:

- The appeals process would be reformed. All three models contemplate the need for administrative, quasi-judicial and judicial review, the potential for greater access to appeals, and a richer accumulation of expertise by adjudicators. This would guide both the sector and those who administer this complex area of law.
- Confidentiality restrictions around the registration process would be eased.
- Any body mandated to oversee the sector should have sufficient resources and expertise to develop policy, educate and communicate.
- There would be greater effort to foster knowledge of the rules and ensure compliance with them, including institution of intermediate penalties.

Self-Regulation in the Models

As a partial response to the need for change, self-regulation can be seen as having great merit. This is provided that no duplication of reporting requirements would be created if self-regulation became institutionalized.

The potential and effect of increased self-regulation are similar in each model.

Assessment of the Models

Each of the three models was assessed with respect to the identified need for change, and with respect to a number of criteria :

- the ability to improve the availability of public information and knowledge about the sector;
- the potential for serving the non-charities part of the sector;
- the ability to accommodate provincial involvement;
- the compatibility of a support or nurturing function with other functions of the organization;
- the effect on regulatory burden;
- the degree of independence each would have from the government and the sector;
- the ability to enhance the confidence and trust of the sector and public; and,
- government control of costs.

The chart on page 57 contains a comparison of each model according to the preceding criteria. Some related general comments are as follows:

- Assumptions on reform of the appeal process, the easing of confidentiality restrictions and greater compliance support already implied that **all** models would see improved transparency around registration, more effort to ensure compliance (including institution of intermediate sanctions) and a more accessible appeal process. Hearings on controversial cases could be instituted under any model.
- Compared with the current situation, all of the models would foster, to some extent, both the enabling and accountability objectives of the regulatory framework.
- On several other criteria (improved public information and knowledge, enhanced confidence and trust by the sector), the differences between models are incremental, with model **C** perhaps best situated to ensure public confidence. All models offer varying degrees in meeting these criteria.
- The ability to accommodate provincial interests would be different under each model, but it is not immediately clear which model would work best.
- The potential for serving the non-charitable voluntary sector is likely larger in models **B** and **C**. The agency in model **B** would perhaps have the greatest freedom to build partnerships and nurture the sector. The model **C** commission would likely have the greatest independence from both the government and the sector, and may therefore be able to integrate the compliance and nurturing functions most completely.

While the Regulatory Table did not seek a full consensus on a preferred model, there was widespread support among voluntary sector members of the Table for moving regulatory oversight out of Revenue Canada. The Table saw greater merit in having integrated oversight rather than bifurcated responsibilities. The nurturing role that an agency could play, and the opportunities it could offer to enter into partnerships with other stakeholders, was seen as attractive. On balance, voluntary sector members of the Table favoured model **C**, while government members tended to conclude that any model could work.

The Table did not extensively pursue the question of regulation of non-charities. The Table believes, however, that under any model, the oversight of "deemed charities" should be identical to and integrated with that of registered charities.

Several other issues concerning change to the institutional framework could be further explored. These issues include regulation of the wide spectrum of not-for-profit organizations discussed previously, and governance issues such as the appointment and composition of a new oversight or advisory body.

Assessment of the Models

Goals/Criteria	A: an Enhanced RCCD	B: an agency	C: a commission
Improved public information and knowledge about the sector.	Website and other measures could make for improvement over the status quo.	Could be more vigorous program than under **A**.	Same as **B**.
Potential for serving the non-charitable voluntary sector.	Status quo.	Yes, on a voluntary basis. The agency would be a more acceptable interface than RCCD.	Yes, in that there are statutory obligations, and otherwise on a voluntary basis. The commission would be a more acceptable interface than RCCD.
Ability to accommodate provincial involvement, including, potentially, coordinated regulation.	The new Canada Customs and Revenue Agency has a Board with provincial representatives.	Broader potential for provincial involvement on a partnership basis.	Structures could be developed to accommodate provincial input more focussed on the charitable/voluntary sector.
Compatibility with a support or nurturing function.	In the final analysis, Revenue Canada will remain the "cop."	An agency would provide significant scope for this.	Regulatory and support functions can live side by side, but the nurturing function is likely to be somewhat more restrained than under **B**.
Regulatory burden: - compliance cost; - efficiency/duplication.	No change from the status quo (but see the suggestions on short-form reporting on page 58).	Burden could be lightened as a result of preventive regulation functions, and assistance to individual groups on applications or with returns.	Functioning of the commission would need to be carefully designed to ensure there is no increase in regulatory burden.
Degree of independence from government and the sector - including clarity of roles.	Same as now, except for profile of the advisory committee.	The agency would be a friend of the sector. It would also have extensive working relationships with Revenue Canada.	A commission would have greater independence from both government and the sector than either **A** or **B**.
Enhancing sector confidence and trust in the regulator, e.g.: - working relationship; - respect for confidentiality; - objectivity of the appeals.	Better working relationship than presently.	Better working relationship than under **A** — to the extent that the agency succeeds in its role as representing the interests of the sector.	May be better than both **A** and **B** (good working relationship, objective and confidential advice, independent appeal machinery).
Enhancing the public's confidence and trust.	Better than presently.	Role may be difficult for the general public to understand.	Same as **A**.
Government control of costs.	Government remains in control.	Government retains control, but the agency, through its recommendations on (de)registration and through its policy advice, would still be in a position to push at the edges.	Within the four corners of common law and statutory definitions, the commission may see room for both narrower and wider interpretations, possibly resulting in a net gradual expansion of eligibility.

Change in Reporting Requirements

Presently in Canada, charities with total revenues of $30,000 or less, and that are not foundations, are not required to fill out the full 13-page tax return form. In effect, all required information from small charities could be compressed onto four pages. The Regulatory Table therefore proposes the option that a shortened version of the form be made available, and that the shortened reporting requirement be extended as soon as possible to all charitable organizations with revenues under $100,000.

It would be important to make sure that there be no loss of information that is vital to ensure compliance by Revenue Canada, and that any reductions in reporting requirements not impede the ability of Statistics Canada and other researchers to rely on administrative data.

In addition, Revenue Canada could investigate whether a shorter form could suffice for an additional segment of the charitable sector, or even the entire remaining 37 percent of charities — those with revenues higher than $100,000. For foundations, a separate return may need to be designed.

As part of the short form, a summary page could be developed. The page would contain information most useful for public dissemination, and its design could be tested among the public.

Finally, more investigation is needed on the issue of reporting requirements for not-for-profit organizations that are not registered charities.

Ensuring Compliance: Intermediate Sanctions

Compliance with regulation is achieved through provision of support and education, and through the application of enforcement mechanisms. The only current sanction against infractions by a charitable organization, however, is revocation of the organization's registered status. The Panel on Accountability and Governance in the Voluntary Sector and the Ontario Law Reform Commission suggest that this is inappropriate.

Revocation is too strong an option to deal with the wide scope of infractions, which can range from late or erroneous filing of the annual return, to fraudulent behaviour. In fact, the most common infractions — late filing and deficiencies in the filed return — are highly correlated with a charity's size or capacity.

Revenue Canada's compliance program is designed to first educate charities, and give them a chance to resolve identified problems. The only sanction available for significant or repeated non-compliance, however, is de-registration. The Regulatory Table therefore proposes the option of introducing intermediate sanctions. The issue needs to be explored in-depth, and could be informed by the following guidelines proposed by the Regulatory Table:

- Monetary penalties should only apply where an unlawful monetary gain was realized by the donor or charity. For example, there would be no monetary penalty for late filing, or for falling short of the disbursement quota.
- More clarity, formality (such as issuance of orders) and predictability in the enforcement regime would help achieve the compliance objective. For example, suspension of tax privileges could be issued as an administrative order. Other remedial orders could be employed, such as the use of undertakings.
- Suspension of tax privileges — that is, suspending the right to issue receipts for income tax purposes — is a sanction that is clearly within the federal government's jurisdiction, and that does not result in donated money going to the government.
- The most powerful sanction is publicity. It should therefore be used very carefully. For example, there could be a predictable process of publication, combined with issuing formal orders or notice of intent to issue orders. The process should include publication of reversals of previous orders or notices of intent, signifying that a charity is again in good standing.
- Dispute resolution (DR) processes should be available when appropriate:
  - If an infraction is undisputed but arose out of ignorance, DR processes could facilitate discussion, and cause a fuller flow of information.
  - If an infraction is in dispute, there could be a range of DR processes, short of litigation. Resolution of disputes about unrelated business and political activities seem especially appropriate for such processes.
- The imposition of intermediate sanctions should be subject to an appeal process. The type of offence would determine whether to use the same appeal process that applies to application refusals or revocations.

The Regulatory Table believes that the options outlined here should be further explored, and then be subjected to a broad-based consultation process.

Redefine Allowable "Business Activities"

The *Income Tax Act* prohibits charities from engaging in "unrelated business activities." This is usually interpreted to mean that charities cannot engage in business activities unrelated to their objects, or that do not help achieve their objects.

It can be difficult, however, to distinguish between charitable and business activities (as in the case of charities offering physical fitness programs). As well, government funding cutbacks have significantly increased the pressure on charities and other voluntary organizations to engage in business activities.

Tensions are apparent between private sector and charity/non-profit provision of services, in areas such as scientific research, home care, child care and health clubs. These tensions surround issues such as fairness of competition and the integrity of the tax system.

Work is now underway, on several fronts, to address the issue of allowable related business activities. For example, the Canadian Policy Research Networks recently produced a relevant study supported by the Trillium Foundation. As well, in May of 1999, the Muttart Foundation, Revenue Canada and the Canadian Centre for Philanthropy sponsored a workshop that explored draft principles and a draft Revenue Canada guideline. Two of the principles discussed were that:

- charities should be permitted to "engage in business activities that are compatible with their stated mission, values and goals;"
- charities should be permitted to "engage in 'non-related' businesses to a stated maximum."

The Foundation will, in the near future, commission research on the extent of business activities by charities, and public attitudes on the issue. In addition, Revenue Canada is expected to soon complete its final draft of new guidelines, and will continue supporting the Muttart Foundation process as well as other related initiatives.

Funding: A Preliminary Analysis

The Regulatory Table's research into funding is a preliminary exploration of funding vehicles. The Table compiled available data and undertook a preliminary analysis, in order to take a first step in resolving complex issues regarding the question of which parts of the voluntary sector receive what types of funding for what purpose.

Through this preliminary work, it became apparent that the voluntary sector draws on various types of support through government to help meet its financial needs. These types of support include tax support, matching grants, core funding, contributions and contracts.

The following are some observations — a starting point for further work on the government's funding relationship with the voluntary sector. This is a work in progress: no conclusions are offered on which types of support are appropriate to particular circumstances. All three Tables support the need for further study of funding issues, through a task force to be established by the Implementation Group.

From the perspective of the voluntary sector:

- A key advantage of **tax assistance** is that individual choice operates to channel resources to areas of greatest public concern. Organizations with important but less popular causes, however, can therefore be at a disadvantage.
- **Matching grants** can provide good scope for innovation, and can help advance important publicly defined social objectives, on a shared-cost basis. Matching grants tend, however, to favour groups with a strong fundraising capacity. Also, some voluntary sector organizations may feel pressured to shape their services to the program's requirements.
- **Core funding** is perceived as allowing innovation, and as enabling responses to emerging issues. It can help some organizations, which would otherwise not be viable, to fulfill an ongoing social need. Core funding is also viewed, however, as being vulnerable to major shifts in government expenditure policy. As well, it is not offered by all departments to all parts of the sector.
- **Contributions** can help accomplish objectives shared by the government and voluntary sector. They are perceived, however, as an unstable source of funding, and, like matching grants, can put pressure on the organization's mission.
- **Contracts** can be a source of revenue for organizations, but do not carry with them any "buy-in" by donors or supporters.

Many of the preceding points are similar to the advantages and disadvantages from the perspectives of the government and public. In other ways they differ.

For example, government may have some concern about which groups will eventually qualify for tax assistance as a result of court interpretations. This would make it difficult for the government to restrict its assistance to only those groups that most Canadians believe are deserving of support through the tax system.

From the public's perspective, tax credits help to reduce the cost of giving. This means that credits may allow a larger contribution to a preferred charity, and give a greater sense of control over which organizations receive resources. Some members of the public, however, may think the "wrong" charities are benefiting from inclusion in the tax system, although there is opposition to funding of some groups by any means, not just via the tax system.

Next Steps for Regulatory Change

Opportunities for Immediate Commitments

Certain options have been sufficiently explored to now permit decisions regarding next steps. These are the options proposing that:

- Information around the registration process be releasable to the public, subject only to the provisions of the *Privacy* and *Access to Information Acts* (following consultation with the Privacy Commissioner).
- Decisions by the Director of Revenue Canada's Charities Division be, on request, subjected to the Department's internal administrative review process.
- As soon as possible, the public portion of the T3010 annual tax returns be posted on Revenue Canada's website.
- As soon as possible, a short form of reporting for charities with annual incomes below $100,000 be implemented.
- Revenue Canada's guidelines on Related Business Activity and on Education, Advocacy and Political Activities be finalized as soon as possible, to provide clarity on an interim basis.

Opportunities for Longer-Term Action

A number of issues require further discussion and consultation before proposals can be developed on specific courses of action. The Regulatory Table believes that the consultation strategy should be tailored specifically to the issues under consideration, the audience to be consulted, and the needs of participants.

In other areas, more effort is needed to research, develop and think through the issues before consultation can take place.

These are the issues that need further investigation:

- The legal and fiscal implications of Table proposals on organizations engaged in advocacy activities; how public benefit would be defined from time to time; and, if a commission were established, the dividing line between its authority and that of the Minister.
- A critical analysis of the directors' liability issue, including a clear problem definition, goals and objectives, and an action plan for resolution; engagement of the provinces through appropriate federal/provincial mechanisms; consideration of the federal government acting alone on an urgent basis; engagement of other parties such as the Law Commission of Canada or the Uniform Law Conference.

- Options for institutional arrangements need to be fleshed out further, also in light of conclusions reached by the other Joint Tables.
- What should not-for-profits that are not registered charities report, and to whom; with respect to both registered charities and the broader not-for-profit component, who should be made responsible for disclosure of detailed information; is legislative change in this area desirable.
- A more detailed exploration of the options for intermediate sanctions.
- Continued work on related business activities.
- Funding: continuation of the work initiated under the aegis of this Table, as part of the mandate of the task force proposed by the Strengthening Capacity Table.
- All "second priority" issues identified.

Issues to be put forward for consultation:

- A clarification of advocacy and public education activities permitted by charities, and possible additions to the list of "deemed charities;" the appropriate regime for current "deemed charities."
- Options for appeal processes.
- Options for institutions of regulatory oversight.
- Options for ensuring greater compliance, including expansion of compliance support and provisions for "intermediate sanctions."
- What the public wants to know about charities and other voluntary organizations.

The Table on Improving the Regulatory Framework carried out a considerable amount of research to prepare this segment of the report. A full list of references, and the full text of four supplementary papers listed below, are available on the websites listed on the inside front cover.

Supplementary Papers

A - Education, Advocacy and Political Activity

B - Institutional Arrangements

C - Advantages and Disadvantages of Alternative Funding Methods

D - Analysis of Returns of Registered Charities (1995 Filing Period)

Implementation Plan

Implementation Steps

The Building a New Relationship Table, on behalf of the three Joint Tables, developed an implementation plan that represents a broad approach to advancing the proposals emanating from the Joint Table process. The overall approach would involve assigning ministerial responsibility and leadership for the development of the relationship. The approach would also call for a commitment by both parties — the government and the voluntary sector — to a process of investigating and reporting on the specific actions proposed in this report. The proposed implementation plan comprises three phases: Commitment, Construction and Consolidation.

Commitment Phase
(Fall 1999)

With the public release of the Joint Tables report, the government and the sector would articulate and publicly state their commitment to developing their relationship in new directions. Ideally, this commitment would include specific aspects, such as a joint commitment to develop a government/sector accord and to work together on the Implementation Group, a voluntary sector commitment to establish a means of orchestrating the various voices within the sector, and a federal government commitment to introduce a National Volunteerism Initiative. Further, these commitments would be widely communicated to stakeholders and the public.

The Voluntary Sector Roundtable has offered to take responsibility for a broader communication with voluntary sector organizations about this initiative.

Construction Phase
(Winter 1999/00 to Fall 2000)

The key to the Construction Phase is the creation of an Implementation Group comprising government officials and voluntary sector leaders, and that is supported by an array of linked task forces. The main responsibility of the Implementation Group would be to oversee the research and consultative dialogue, which is essential to determining the government and sector actions necessary to enhance the relationship. Proposals would be referred to the appropriate government and sector bodies for consideration and follow-up.

The one-year Construction Phase would permit time for the government's and sector's internal processes to address the Implementation Group's recommendations. Early action, where circumstances permit, would be highly recommended.

Consultative Dialogue: The Implementation Group would oversee a consultative dialogue that would include the public, segments of the sector not previously consulted, provincial and municipal governments, business, labour and other stakeholders. The consultative dialogue would embrace Canadians in urban, rural and remote communities.

Linked Task Forces: A series of task forces would investigate and make recommendations to the Implementation Group on specific issues, including:

- funding
- the mechanics of the Annual Report
- the government/sector accord
- establishing a relationship with Parliament
- creating a permanent organization to nurture the evolving relationship
- engaging the provinces
- assessing and revising the pilot project undertaken during the Commitment Phase as part of the National Volunteerism Initiative
- examining the liability issue in the legislative framework
- reviewing the 10 percent rule vis à vis the advocacy activities of registered charities
- exploring eligibility for "deemed charity" status in the legislative framework
- exploring options for a new regulatory oversight body

Consolidation Phase
(Winter 2000/01, ongoing)

By Winter 2000/01, decisions would be made on several issues. These initiatives could include ratification of an accord, and decisions regarding:

- processes to pursue ongoing dialogue
- establishment of a relationship with Parliament
- an annual reporting process
- the need for a body to nurture the relationship
- creation of a dispute-resolution process
- changes in the regulatory environment
- changes in federal investment in the sector
- the formulation of government-wide principles to create an enabling environment
- a staffing and skills development strategy
- measuring and tracking the sector's contribution to society
- steps to develop the sector's research capacity
- enhancing the sector's capacity through the use of information management and technology
- regulatory reform, specifically: intermediate compliance sanctions, and funding issues

Some proposed options, in particular those not needing widespread consultation, may be implemented sooner.

At this time, further research may also be carried out on those issues identified during the Joint Table process, but that were not examined in depth due to time constraints.

The transition from the Construction Phase to the Consolidation Phase would be an important point in the process, and could be heralded with a major event. This event could be led and organized by the voluntary sector, and timed to coincide with the International Year of the Volunteer in 2001.

Implementation Chart

The chart on page 68 is a proposed road map for the exploration and implementation of options in the report. In each of the three implementation phases — Commitment, Construction and Consolidation — the chart identifies the actions taken in each phase to develop each option.

The vision here, it should be emphasized, is one of **continuity**. The process will continue to flourish and evolve after the completion of these phases, with key initiatives, such as the Annual Report to Parliament and periodic national surveys, proceeding and progressing on an ongoing basis.

Implementation Chart

	COMMITMENT PHASE	CONSTRUCTION PHASE	CONSOLIDATION PHASE	CONTINUATION
RELATIONSHIP:				
Orchestrating the Sector	*Commit/Act*			
Ministerial Responsibility and Leadership	*Commit/Act*			*Ongoing dialogue / Identification of priority issues / Actions to further enhance the government-sector relationship.*
Supporting Secretariat	*Commit/Act*			
Implementation Group	*Commit/Act*			
Voluntary Sector Lens	*Commit/Act*			
Accord	*Commit*	*Develop/Consult/Propose*	*Act*	
Engaging the Provinces/Territories	*Commit*	*Engage*		
Relationship to Parliament		*Develop/Consult/Propose*	*Act*	
Annual Report to Parliament		*Develop/Consult/Propose*	*Act*	
CAPACITY:				
Policy Capacity: Fellowships and Internships	*Commit/Act*			*Ongoing dialogue / Identification of priority issues / Actions to further enhance the government-sector relationship.*
Information Technology Competence: IT Youth Corps	*Commit/Act*			
Measure and Track Sector Contribution	*Commit/Act*	*Develop/Propose*	*Act*	
National Volunteerism Initiative	*Commit/Act*	*Pilot/Assess and Revise/Propose*	*Act*	
Funding Issues [1]		*Study/Develop/Propose*	*Act*	
Staffing and Skills Development Strategy		*Study/Develop/Propose*	*Act*	
Awareness/Engagement Strategy		*Study/Develop/Propose*	*Act*	
Research Capacity		*Study/Develop/Propose*	*Act*	
Technological Capacity		*Study/Develop/Propose*	*Act*	
REGULATORY:				
Legislation: Filing	*Commit/Act*		*Act*	*Ongoing dialogue / Identification of priority issues / Actions to further enhance the government-sector relationship.*
Administration: 100K Short Form	*Commit/Act*		*Act*	
Institutional Options [2]		*Develop/Consult/Propose*	*Act*	
Legislation: Liability		*Develop/Consult/Propose*	*Act*	
Legislation: 10% Rule		*Develop/Consult/Propose*	*Act*	
Legislation: Deemed Charities		*Develop/Consult/Propose*	*Act*	
Administration: Related Business		*Develop/Propose*	*Act*	
Administration: Intermediate Sanctions		*Develop/Propose*	*Act*	

1 The Capacity and Regulatory Tables both called for in-depth study of funding issues, and the Relationship Table was similarly supportive. A single study could examine the full constellation of funding issues.

2 The Relationship Table examined the need for institutional change to nurture the relationship, while the Capacity Table called for action to nurture the sector. The Regulatory Table examined specific institutional options (the Models). A single study could examine all these issues surrounding the institutional framework.

Conclusion

This report outlines some twenty-six options for creating a more effective, thriving relationship between the federal government and Canada's voluntary sector. These options, and the Joint Table process behind them, mark the beginning of an ongoing collaborative undertaking to better serve Canadians and enhance their quality of life.

The evolution of the relationship has a long, broad horizon, propelled by an ongoing dialogue and a shared commitment to continue enhancing the relationship in ways that provide tangible benefits for all Canadians. Now, after decades of working together on a fruitful but mostly *ad hoc* basis, and of pursuing common objectives from sometimes divergent or even opposing positions, an historic step has been taken toward working together to achieve mutual goals.

The Joint Table Initiative is indeed an historic undertaking. The Joint Table process gathered and solidified enormous amounts of information, and made major inroads in identifying mutually supportive talents and resources, advantages and priorities. The process introduced conceptual notions such as the articulation of a vision, principles and goals, and outlined concrete options for next steps — what could be implemented now, what needs more research, and what could be taken to voluntary groups, other stakeholders and the public for broad consultation.

As the process evolves beyond the Joint Table process, the options would become increasingly specific in nature, and new options could emerge.

This is good news for Canadians. Canada's long-standing ethic of care calls for a new kind of governance, one in which the voluntary sector and the federal government work together — one that adds a compassionate dimension. This is why the government and sector are developing a relationship that continues to evolve, and continues responding to new realities in mutually beneficial ways. They seek new ways of working together to help create a world where values count, where the full range of human activities is encouraged, and where every individual can realize his or her potential.

The initiative promises far-reaching benefits for Canadians. The federal government and the voluntary sector are two strong forces uniting, two pillars of society complementing each other's strengths, to more effectively achieve their shared mission — **to enhance the quality of life for all Canadians**.