Brief for the Senate Special Committee on the Charitable Sector

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It is an honour to be invited to appear with Senator Frances Lankin, as Co-Chairs of the 2006 Independent Blue Ribbon Panel on Grants and Contributions. (A pdf of the Panel’s report is available at http://publications.gc.ca/site/eng/9.689440/publication.html.)

In June 2006, the President of the Treasury Board, the Honourable John Baird, commissioned an independent blue ribbon panel, “to recommend measures to make the delivery of grant and contribution programs more efficient while ensuring greater accountability.”

The most recent expenditure figures available to the panel were for 2004-05. That year the government spent $26.9 billion on more than 800 grant and contribution programs administered by more than 50 federal departments and agencies.

One of the panel’s first tasks was to allocate the spending on those 800-odd programs to understandable recipient categories. We estimated that of the $26.9 billion, $4.8 billion went to other governments in Canada, $3 billion to governments and organizations outside Canada, $1.5 billion to businesses, $1.9 billion to farmers and fishers, $1.8 billion to veterans, and $2.2 billion to universities.

The recipient category of greatest interest to this Committee was the one we called nonprofit organizations (including charities) other than universities. We found that $2.9 billion was spent on programs for such recipients. But we also had a remainder category of about $3 billion in grant and contribution programs where the recipient category was not obvious and some of portion of this would undoubtedly have gone to that sector. It might be useful for the Committee to ask the Treasury Board Secretariat to provide current figures for federal grant and contribution spending on the charitable and nonprofit sector.

Whatever the precise spending is today, it is obvious that federal grants and contributions support the work of literally thousands of non-profit organizations across the country that serve the needs of communities large and small. As we said in our report:

“They make it possible for Canadians to help themselves in ways that are more efficient and more effective than governments could ever hope to achieve through direct programming.”

Perhaps our most troubling finding was just how much time and effort was spent by public servants and recipients on administration. To quote from our report:

“From a survey of selected departments, the panel estimates that federal personnel costs of administering $26.9 billion of grant and contribution programming amounts to at least 5 per cent of the total or $1.5 billion. We have no estimate of the costs to recipient organizations, but have heard during our consultations that their percentage is in many cases between 15 per cent and 30 per cent. Most grants or contributions are for amounts below $100,000.”

As you can imagine, representatives from the charitable sector were vocal about their frustrations with the funding process and reporting requirements. To quote:
Respondents from the community non-profit sector pointed out that many of their organizations are in a fragile state, hostage to costly funding delays and to reporting requirements that many are ill-equipped to meet. Indeed, the point was made that loss of core funding has actually diminished the capacity of recipient organizations in this sector to fulfil the new accountability requirements of the government. They called for a one-window approach to facilitate access to federal grant and contribution programs, with better integration and information-sharing across departments. Respondents also wanted to see a citizen-centred approach to the administration of grant and contribution programs, longer-term funding, service standards, and greater use of technology, as well as improved business processes to streamline the entire funding process.

“We also heard a consistent plea for simplified regimes of reporting and accountability that respect the differing circumstances and capacities of recipient organizations. This sector wants recognition as a contributor to society and the economy, not simply as a claimant on the federal purse. We agree. The programs funded by federal grants and contributions in this sector fulfil essential public policy purposes in every field of human and social development, ranging from health to employment programming to investments in innovation. A successful and enduring partnership between the federal government and the community non-profit sector is essential to the delivery of many vital services for Canadians.”

We highlighted the impact of what we called “the web of rules” associated with grant and contribution administration. We tried to address these concerns in our recommendations, and indeed in the title we gave to our report, From Red Tape to Clear Results.

We proposed eight principles to guide a rewriting of the administrative policies:

1. **Intelligibility**: Rewritten policies should be readily understandable to those expected to follow them. This means fewer, more focussed and more understandable rules.

2. **Clarity of results**: Rewritten policies should call for the clear and practical description of the results the program expects to achieve and of the deliverables that the recipient is expected to produce.

3. **Practicality of compliance requirements**: Rewritten policies should call for measures used in monitoring, reporting and audit to be focussed on outcomes or results that are within the recipient’s reasonable control.

4. **Risk-sensitivity of compliance requirements**: Rewritten policies should require that measures used in monitoring, reporting and audit distinguish between what is needed to address appropriate use of funds and other factors of interest (e.g., data collection for research or information for evaluation purposes). They should also reflect the scale of the funding, the nature of the activity being funded and the track record of the recipient.

5. **Vertical coordination of reporting requirements**: Rewritten policies should encourage the use of the recipient’s normal reporting practices, using instruments employed for other purposes.

6. **Horizontal coordination of reporting requirements**: Rewritten policies should encourage reporting in ways that can contribute to the accountability requirements of all the federal
programs involved. A recipient receiving funding from different programs should be able to consolidate all reporting.

7. Reasonable cost of getting access to programs: The cost of compliance measures for a recipient should be kept to a minimum. It diminishes the effectiveness of contribution programs when the cost of acquiring funding is a significant share of the actual funding. Compliance measures should reflect the scale of the funding.

8. Citizen focus: Recipients should be involved in the design and monitoring of the new grants and contributions regime.

We recognized that this would not be easy. An understandably risk-averse culture and the sheer complexity of the systems would require strong leadership to change and time to implement. We developed 32 recommendations and delivered our report to the President of the Treasury Board in December 2006.

We were impressed by the seriousness with which the senior public service took our recommendations. Special committees of deputy minister and of assistant deputy ministers were created to reform processes. A centre of expertise was created in the Treasury Board Secretariat. The policy on transfer payments was rewritten.

I think things got better. But that was over a decade ago. Two questions that the Committee might pose are: 1) Is funding for the charitable sector more efficient and accountable today than it was before the reforms begun in 2007? Can substantial improvements still be made?

I am not aware of any study that could answer these questions with certainty. But I would be prepared to offer a guess. Based on standard public administration theory supplemented by observations during 8 years on two departmental audit committees, I would guess that the answer to both questions is Yes. The situation is likely better than in 2007 but substantial improvements can still be made.

Public administration theory would predict that, given normal organizational dynamics in a political environment, the complexity of rules and the tendency to micro-manage will increase over time if there is not a concerted and well-led effort to push back with principles along the lines of the eight listed above.

The Committee might want to ask charitable sector representatives if they have any data on these matters and ask government representatives whether there are any plans to do a detailed evaluation of the administrative costs of today’s grant and contribution programs.

Let me end this brief by commending the Committee on the witnesses it has invited and the evidence that it has assembled to date. I have read all the public proceedings on the Committee’s website and have learned a good deal. The proceedings will provide an excellent resource for anyone interested in the challenges facing Canada’s charitable sector.

Indeed, my co-editor, Professor Leslie Pal, and I are using the work of the Committee as a case on the Atlas of Public Management, a public access teaching resource for students and professors. We have created three new pages on the Atlas for this purpose.
On the Atlas page Special Senate Committee on the Charitable Sector we have links to the evidence given to the Committee. There are also links to two other pages created to help readers think through the challenges of how use all this evidence: Denman Island Charities provides information on all the charities serving a rural community of 1000 and Using the Atlas to Plan a Policy Report pulls together the most relevant concepts and tips currently taught in Master of Public Policy and Master of Public Administration programs on defining policy problems, designing policy responses, selecting policy instruments, and writing policy reports.

These pages may even be helpful to the Committee staff and members as they develop the final report.