Mastercard Foundation
Submission to Special Senate Committee Study on the Charitable Sector

April 2019
OVERVIEW

The Mastercard Foundation is honoured to provide this submission to the Special Senate Committee on the Charitable Sector. We have followed the proceedings of this committee with interest and congratulate the Honourable members for this important work.

We believe firmly that Canada’s philanthropic sector is a major force to drive innovation and sustainable solutions addressing pressing challenges around the world and here at home. As Canada’s largest private foundation, we are keen to share our experience as well as point out the opportunities and challenges presented by charitable rules to Canadian registered charities including foundations working outside of Canada.

In summary, we would like to set out recommendations to:

1. Augment Canada’s influence and leadership in philanthropy and international development through deepening partnerships; and,

2. Modernize rules governing the charitable sector to confirm standards of transparency, excellence, and flexibility to innovate.

INTRODUCTION

By way of introduction, we are pleased to provide a brief summary about our Foundation and our impact to date.

The Mastercard Foundation was created in 2006 as an independent foundation in Canada by Mastercard Corporation during their initial public offering. We are governed by a global and distinguished Board of Directors (see list in annex).

Our vision is a world where all people have opportunity to learn and prosper. Our charitable purpose is to advance education for youth and relieve poverty through financial inclusion. We work in Canada and Africa. To date, the Foundation has committed USD$2.2 billion to programs that have improved the lives of more than 33 million people.

Today, the Mastercard Foundation is the largest private foundation in Canada and the third largest in the world with assets of USD$26 billion. Our headquarters are in Toronto with an office also in Kigali, Rwanda. We have a diverse and growing staff of 130 employees with a range of expertise.
COMMITMENT TO AFRICA

Early on, the Foundation decided to focus our programs almost exclusively in Africa. A significant demographic shift is occurring across the continent. It is the youngest continent, where more than 75% of the population is under the age of 35. Unlike the rest of the world, Africa will keep getting younger as the century advances. By 2035, over 40% of the world’s workforce will be African. In a time of momentous change, we believe youth employment in Africa will be a powerful predictor of progress out of poverty and an important contribution to global peace, security, and sustainability.

Africa has the lowest global education attainment rates: only 20% complete secondary and 7% complete higher education; only 24% of the population has access to formal financial services; and 62% of the population is under 25. In most countries in Africa, more than 90% of young people live below the poverty line and struggle to access quality education and employment opportunities.

REDUCING POVERTY

Africa’s rapid population growth will make poverty reduction over the next decade an even greater challenge.¹ Research indicates that poverty is not sustainably reduced until people reach $10 a day in their earnings. According to the Pew Research Centre, there is a growing consensus that the $10 threshold is associated with economic security and “insulates” people from falling back into poverty. In other words, it is only once a household reaches an income threshold that averages $10 a day that it can sustainably move beyond day-to-day survival to a more secure economic footing and truly be relieved of poverty. Over 90% of the population in Africa is living under $10 per day.² Our approaches must clearly be more than just temporary measures. We must work together with others to address underlying root causes and support a longer-term shift out of poverty. In Africa, this means getting to a threshold income to overcome the fact that many socio-economic supports, such as health, education and social services are lacking.

The numbers are changing and so is the narrative. This demographic shift presents us with an extraordinary opportunity to shape the future. It is a moment ripe for transformation if ever there was one.

Young people through their alchemy of creativity, confidence, and sheer force of will are making remarkable things happen. They are pursuing fresh ideas in business, technology, in community service, and in the arts and culture.

It is also clearer than ever that young people don’t need lectures. What they welcome is tools, access, mentoring and guidance. As a global community, we need young people’s leadership and ideas.

**YOUNG AFRICA WORKS**

Over the next decade, the Mastercard Foundation will execute a new strategy: **Young Africa Works**. It places young people and employment at the centre of everything we do. Our goal is to enable 30 million young women and men in Africa to secure dignified and fulfilling work by 2030.

We will combine our expertise in education and financial inclusion to address this challenge. Practically, we are rolling out Young Africa Works in multiple countries over the next few years. In each country, our approach includes the following:

- **Align with the country’s and community’s own aspirations and economic strategies.** This starts with listening to the priorities of young people, governments, the private sector, educational institutions, and others.

- **Identify and focus on key sectors** that are transforming national economies. Industries that can unlock their global competitiveness; industries poised to be job destinations for a skilled, young workforce. For example, the tourism sector in Rwanda has exploded into the country’s largest single export industry — 30 percent of total exports. There are promising sectors of agri-processing, creative industries, ICT, and construction in several countries. Each presents a chance to build on progress and enable growth to translate into jobs.

- **Engage the private sector** — employers and entrepreneurs who are growing these sectors. They will need capital as well as a pipeline of talent to grow. As we understand their needs, we need their commitment to provide young people with internships, apprenticeships, and jobs.

- **Build skills and capacity.** This entails supporting secondary education and technical and vocational education so young people acquire skills that are relevant and in demand by the marketplace.

- **Most importantly, we have to harness innovation and create platforms** between supply and demand so job seekers are able to find employers and entrepreneurs and are able to connect with capital and tools to become job creators.

- **Collaborate and work with others**: we cannot catalyze this change on our own. We need to work with likeminded organizations to help support lasting change in a way that empowers local organizations.

In summary then, with our new strategy, we will increasingly focus on:

- Designing country-specific long-term plans;
- Empowering young women;
- Working with more African organizations; and
- Using technology to drive impact and scale. Sharing more evidence-based knowledge and innovation.
PARTNERING WITH INDIGENOUS YOUTH

Here in Canada, as the Truth and Reconciliation Commission completed its work and Canada commemorated its 150th year in 2017, the Mastercard Foundation embarked on a journey also with Indigenous communities. We established an initiative called EleV, a partnership with higher education institutions and Indigenous communities to listen, to learn, and to amplify efforts of success together with Indigenous youth.

EleV puts young people at the centre to increase access to education and employment opportunities regardless of their circumstances and respecting Indigenous rights, cultures, and community aspirations. In its first phase, EleV aims to double enrollment and completion rates of Indigenous youth at two post secondary education institutions – Vancouver Island University and Yukon College. By creating pathways through education, EleV creates the opportunity for young Indigenous men and women to prosper and be leaders in their communities.

While this is a new program, it is guided by our approach and our values of listening, kindness and respect, humility, co-creation, and impact. By listening and learning from Indigenous communities and the youth themselves, we are helping to forge exciting new pathways through collaborative approaches that bring sectors together. In 2019, we look to build upon our initial learning and expand these partnerships across Canada.

“If we get it right together, I believe that 100 million young Africans entering the workforce can be 100 million reasons to be optimistic about the future.”

Reeta Roy, President and CEO
Mastercard Foundation
CONCLUSION

Our values bring us full circle to where we are now embarking on the next decade of strategic engagement. Our values as outlined above emerge and are reinforced by our experience. Our approach of co-creation has been welcomed and deeply appreciated by our partners in Africa and likewise here in Canada.

To respond effectively, to realize impact, and to achieve the outcomes demanded by the challenges before us, we look to deepen our efforts enabling young people and their communities to drive solutions. To do this, we seek an enabling environment grounded in excellence and one that fosters collaborative, sustainable approaches to achieve impact.

As part of the Senate Committee’s important work, we offer the following recommendations and our encouragement for your study to be widely considered. The potential to fully realize and magnify the work and impact of the philanthropic sector has never been greater. We appreciate the opportunity to engage and welcome your ideas, questions, and comments.

RECOMMENDATIONS

1. Augment Canada’s influence and leadership in philanthropy and international development through deepening partnerships.

   • The work of this Senate Committee is particularly relevant. It is as important as our work and that of others within the sector, as it looks to new and innovative approaches in partnership to achieve impact.

   • Through increased transparency, flexibility to innovate, and the ability to build trust, new levels of cross-sectoral partnerships will be generated which will augment Canada’s influence around the world.

   • Canada is home to one of the largest foundations in the world that is already having a significant impact on the continent of Africa. We see much more opportunity to amplify the work of the charitable sector and encourage greater collaboration between and among sectors. We need to share the learning and work of the philanthropic sector, especially recognizing the tangible impacts.

   • Canada has amazing potential to lead and leverage investments through this sector in the achievement of the United Nations Sustainable Development Goals. The country’s feminist development agenda can elevate gender inclusive programs in international development.

   • Indigenous communities offer perspectives and models to enrich education and create economic opportunity across communities in Canada.
2. Modernize rules governing the charitable sector to confirm standards of transparency, excellence, and flexibility to innovate.

Program-Related Investments

- We note the importance of CRA’s guidance on Community Economic Development (CED), including Program-Related Investments (PRIs). A PRI is explicitly defined as an activity that “directly furthers a charity’s stated charitable purpose” and is inclusive of the creation of loan pools and purchase of shares.
- We fully understand that a PRI must not create inappropriate private interest and see this as an important tool catalyzing sustainable development to create jobs and alleviate poverty.
- We believe that as PRIs are directly related to charitable purpose, PRIs should qualify towards a charity’s disbursement quota.

Direction and Control

- We have developed a rigorous due diligence process to exercise direction and control. This includes a seven-step process that involves pre-screening, risk assessment and various monitoring tools to ensure programs are implemented successfully and funds used appropriately. This includes collecting receipts for all costs incurred by non-qualified donee partners, which is done solely to comply with CRA’s guidance related to maintaining books and records in Canada when working with non-qualified donees.
- Reflecting on the past 10 years of programming (2007-2017), the Foundation provided $951 million of program funding to non-qualified partners, of which $19 million was used solely to collect and submit receipts to the Foundation. In addition, the Foundation incurred over $1 million of internal staff costs solely for this process.
- The Foundation’s programming is expanding significantly and the costs of receipting will exponentially grow. Moreover, in our decade of experience, receipting has not proven to be an effective method for detecting inappropriate use of funding.
- We believe that charity rules should allow for a range of options to meet direction and control, which reflect the context of funding by registered charities.

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3 CRA Guidance CG-014 - within CED Guidance PRIs involving share purchase is a charitable activity; CRA document #9809615 CRA recognizes that the purchase of shares is an ‘expenditure’ of the charity in question
ANNEX

Mastercard Foundation Board of Directors

- **Jim Leech**, CM, Chancellor of Queen’s University, Senior Advisor with McKinsey & Company, and retired CEO of Ontario Teachers’ Pension Plan
- **Zein Abdalla**, Retired President of PepsiCo, Inc.
- **Valerie Amos**, Director of SOAS, University of London and former Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator
- **Louise Arbour (Board Member Elect)**, Former Justice of the Supreme Court of Canada
- **Doug Baillie**, Retired Chief Human Resources Officer of Unilever
- **Dominic Barton (Board Member Elect)**, Former Managing Partner of McKinsey & Company
- **Craig Calhoun**, Professor of Social Sciences, Arizona State University
- **Jennifer Fonstad**, Co-Founder, Aspect Ventures
- **Jendayi Frazer**, Managing Partner, Africa Exchange Holdings Company and former U.S. Assistant Secretary of State for African Affairs
- **Jay Ireland**, Retired President and CEO of GE Africa
- **Festus Mogae**, Former President of the Republic of Botswana
- **Hutham Olayan**, Principal, Director, and Senior Executive of The Olayan Group