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Chair

Mr. Massimo Pacetti

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• (1535)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good afternoon, everyone.

I want to get started, if we can, because we have more than one panel and more than one witness or group of witnesses. From what I understand, the interventions will be limited to about seven or eight minutes. I think you've already spoken to each other, so you're well coordinated. I leave it up to you.

I want to thank all the witnesses for taking the time to be available to appear before us.

We're here pursuant to Standing Order 83.1 on pre-budget consultations 2005.

The first group that I have is Imagine Canada, Ms. Steinsky-Schwartz.

Mrs. Georgina Steinsky-Schwartz (President and Chief Executive Officer, Imagine Canada): Thank you.

Good afternoon, committee members. Bonjour.

Thank you very much for inviting us again this year and taking an interest in the voluntary sector.

Our organization, Imagine Canada, is a national charity. Our mandate is to foster effective and sustainable charitable and non-profit organizations in Canada. We were founded last January by the merger of two organizations, the Canadian Centre for Philanthropy and the Coalition of National Voluntary Organizations. We are coordinating our submission today with our colleagues around the table, who represent six other umbrella groups from the charitable and non-profit sector. We are all endorsing each other's recommendations.

The Imagine Canada brief that you've previously received calls for measures in three significant areas to better leverage the already significant contribution made by our sector to Canada's economic success, quality of life, and, we believe, competitiveness. The modest steps that we're requesting are very modest indeed, but we believe they promise large returns and could improve the productivity and performance of the sector.

Specifically, our three recommendations are as follows.

The first request is for ongoing funding as part of the national statistical system of a survey called the "National Survey of Nonprofit and Voluntary Organizations". Unlike the business sector and the public sector, which have a lot of data that is publicly

available, our sector has very little. We are asking that this study, which has only been done once, be implanted in the statistical system. We can't understand the productivity of the sector unless we have good data.

Our second request is for a one-time capital contribution to a charity bank called Vartana, which is an innovative financial institution that focuses on the need for access to capital of the voluntary and charitable sector.

The third issue on which we are making recommendations is on tax changes to encourage capital gifts that build on existing provisions that have already led, and are documented to have led, to larger donations of securities. These will be explained further by some of my colleagues

Productivity is a term that's often associated with the business sector or the public sector, but people don't tend to think of it very often with the voluntary sector. However, we believe this theme is also extremely relevant to charities and non-profits because the voluntary sector is a vital contributor to the determinants of productivity and prosperity.

If you look at what organizations in the not-for-profit and charitable sector do, they are important instruments for civic engagement and democratic expression. They also deliver services, often on behalf of governments, including the federal government. They are also key to the quality of life through many expressive functions. We've seen that quality of life is an important determinant of economic prosperity. In fact, when it's lacking, as we've seen with the recent tragedies in New Orleans, it can lead to a significant economic disadvantage.

A lot of people don't realize that the non-profit and voluntary sector is in fact a critical part of our national economy and represents in total about 8.6% of the gross domestic product. This is documented by Statistics Canada. When we include the value of volunteer work, which Statistics Canada does, the sector's total contribution to the gross domestic product tops \$75 billion. If we set aside quasi-governmental organizations such as hospitals, colleges, and universities, the remaining organizations in the not-for-profit sector still account for 46% of the sector's contribution to GDP and contributed goods and services valued at \$34.7 billion, which is equivalent to 4% of the nation's GDP. I'm sure you're not going to remember all those numbers, but the point is that this is a sector that is comparable to many of the industry sectors in Canada.

Equally, from an employment perspective, Canada's charities and non-profit organizations are important players. The more than two million full-time equivalent workers engaged by the sector, including volunteers, are close to the number of workers employed by all branches of the manufacturing sector. The manufacturing sector and the charitable and non-profit sector are about the same size in Canada in terms of employment. They have roughly twice as many workers as the transportation industry and 14 times as many workers as Canada's largest employer in the private sector, which is George Weston.

• (1540)

Two-thirds of the sector's two million plus workers are paid staff, with the remainder being volunteers. This represents approximately 11% of the country's economically active population. That actually puts Canada about number two in the world in a group of 37 countries, with the size of its non-profit and voluntary sector.

We believe there is potential to better utilize the sector's human resources through providing additional training and skills development, and we're very pleased that the government has put some resources now behind this, through the Department of Human Resources and Skills Development. However, the survey I mentioned earlier, which we would like to have done on a continuing basis, also highlighted that trends in government funding are significantly adversely affecting sector productivity.

In the private sector there are many small and medium-sized businesses. In the not-for-profit sector, of the 161,000 organizations, over 50% are basically very small organizations and they have been suffering from unpredictable funding, which precludes their developing stable infrastructure that allows them to maximize their productivity. With these barriers that they are currently facing, they are significantly inhibited in terms of their productivity. And notwithstanding the barriers, many are still highly socially innovative. In fact, many social innovations have come from these groups. But we believe it is also hampering their ability to socially innovate.

We're not trying to be totally negative. The Canada Revenue Agency, for example, has introduced a very interesting model for working with the not-for-profit sector, and Social Development Canada, the department, is also now engaged in consultations with us and is working on some of the projects that we are outlining in our briefs.

In summary, then, what we are advocating to you today is that the role of the not-for-profit sector continue to be documented as part of the national statistical system, and we believe that is essential to understanding its role in economic competitiveness and in encouraging productivity in Canada overall; that the governments invest in assisting not-for-profit—and particularly small and medium-sized not-for-profit—and charitable organizations to get better access to capital through the funding of a so-called charity bank; and finally, that we also look at the tax system in terms of capital contributions to continue some of the trends we have seen in the last few years through the donation of securities.

I'm now going to turn this over to my colleague Marlene Deboisbriand, who is president of Volunteer Canada, representing the Voluntary Sector Forum.

Thank you.

The Chair: Ms. Deboisbriand, from the Voluntary Sector Forum.

[*Translation*]

Mrs. Marlene Deboisbriand (Member, Voluntary Sector Forum): Thank you very much. First of all, I want to thank committee members for inviting us here today to make a presentation.

As Georgina explained to you, my day job is serving as President of Volunteer Canada. However, I'm speaking today on behalf both of a group of colleagues and of the Voluntary Sector Forum, a body comprised of members from across the Canadian voluntary sector. Its mandate is to provide pan-Canadian leadership and coordination on horizontal, sector-wide issues.

Canada's non-profit and voluntary sector is directly connected and enhances economic activity in two of the ways being examined by the committee, namely human capital — we refer to paid and volunteer employees — and physical capital, that is the communities in which we live.

The economic strength of our country is directly related to the health, both physical and emotional, of employees and volunteers who work in all sectors, whether the public, parapublic, private or of course, volunteer sector. A diverse, vibrant and accessible non-profit sector is key to supporting and maintaining our communities.

• (1545)

[*English*]

I'm going to switch to human capital for a moment. There are about 1.2 million employees in this sector if we exclude those who work in hospitals, universities, municipalities and schools. As employees we're often undervalued and we're facing increasing demands and challenges. We now have a human resource council, thanks to the support from HRSDC. Meeting the education and training needs of this diverse and very vibrant group of employees will be paramount to effective leadership and service delivery to Canadians.

This sector also relies on over 6.5 million volunteers—Canadians like you and me, who generously contribute their time and their skills and energy as engaged citizens to make their respective communities strong and vibrant. We count on the government to continue funding programs that help raise the awareness of their contribution, promote sound recruitment, training and retention strategies, such as the Canadian volunteerism initiative, which is funded through Canadian Heritage in partnership with Social Development Canada.

In terms of the physical capital side, there's an emerging issue that is of great concern in the sector. It's related to the physical capital in terms of loss of convening and meeting space in communities, particularly in downtown cores, where rents tend to be higher and small organizations can't afford their own space. It's a growing issue at the grassroots level, certainly as schools and churches, traditional meeting places for voluntary sector organizations, are becoming less and less available. The longer term of this concern is that if no space is available there could be no services available, and that's particularly important for vulnerable populations in major downtown cores.

Let me leave you with what I hope is a scenario of hope. You'll find our two recommendations in our brief as well.

[*Translation*]

First, in terms of implementing the values and principles that underlie the agreement between the voluntary and community sector and the Government of Canada, we call for adherence to two codes: one respecting funding which calls on the government to develop and implement smart, effective and dependable funding mechanisms for the sector, as well as relevant and appropriate reporting measures; fulfilment of the commitments made in the Code of Good Practice on Policy Dialogue that encourage the involvement of voluntary sector organizations in public policy dialogue; ongoing support of sector employees through the support of the Human Resources Council and the Canada Volunteerism Initiative.

Thank you very much.

[*English*]

The Chair: Mr. Parks, from the Canadian Bar Association.

Mr. James Parks (Chair, National Charities and Not for Profit Law Section, Canadian Bar Association): Thank you, Mr. Chairman.

I'm here as the chair of the Charities and Not for Profit Law Section of the Canadian Bar Association, so my comments are limited to the points in our larger brief that deal only with the voluntary sector. I wanted to clarify that.

The Canadian Bar Association is a national association representing over 36,000 jurists, including lawyers, notaries, law teachers, and students across the country. We have over 1,000 members of our section who are focused on the voluntary sector, including registered charities and not-for-profit organizations in particular. Our primary objectives as an association include the improvement of the law and the administration of justice.

Our comments today are made in the context of our role as lawyers and others involved in the legal process as they relate to the voluntary sector, and you'll hear from other colleagues here on the panel about other aspects of that.

My comments on behalf of the section, from the legal perspective, are going to be largely focused on registered charities, but I will come back at the end to not-for-profit organizations, which are a different type of legal entity and are taxed differently under our tax system.

The bar association supports the recommendations of the other groups and, in particular, two that you'll hear more about shortly. One is the capital gains exemption for gifts of marketable securities, the recommendation that it be extended to real estate and that the capital gain be eliminated totally, as opposed to lesser relief currently granted. You'll hear comments about new proposals for rules for charitable remainder trusts.

As for the two points I would like to address that are not in the other briefs, number one is the complexity of the tax system as it relates particularly to registered charities. As lawyers, we see this as a serious concern because we're looking at the complete spectrum of organizations, from the largest to the smallest. The tax rules are now

exceedingly complex. Tax law, by its very nature, often has to be complex.

The history of the rules dealing with the regulation of the tax rules for registered charities goes back a long way and has evolved now to the point where, with respect, I think it has become a patchwork quilt that has lost sight of some of the original objectives. Registered charities offer tax relief to donors and they also have a tax exemption, so clearly there's an interest on the part of the government to make sure the moneys are properly applied. The rules are now so convoluted that the average charity simply cannot understand them and many legal or accounting advisers can't understand them. So it's our hope that this committee would recommend that steps be taken to, first, provide more staff to the Department of Finance to assist in a review of the complexity, and second, recommend that there be a consultation process.

One of the concerns, as you'll hear later, is that CCRA has been very good in liaising with the sector, and particularly with the legal branch. That's the law as we find it, and those are administrative problems that have to be addressed. We're focusing now on the law as it should be and hoping there will be an opportunity to develop better law in the first place, in consultation with finance, so that we don't have to tinker around with administrative fixes after the fact because of deficiencies in the law itself.

I think there is a drain on the sector as a result of this. I only mention it because in our view productivity goes down because people who should be spending their time delivering the resources of the charities are spending an awful lot of time on compliance. So I think there should be a balance, and that's certainly the view of the bar association.

The second point I'd like to address has to do with not-for-profit organizations. Not-for-profit organizations are entitled to be exempt from tax, but they don't offer donors relief when donations are made, so they're a subset of exempt organizations.

● (1550)

There is what we perceive to be an anomaly in the current rules. That is, that in order to be qualified as a not-for-profit organization, the organization must, in the opinion of the Minister of National Revenue, not be a charity. That rule was brought in years ago to prevent organizations that should be registered as charities, and that fall within all of the compliance, from doing an end run because they don't want to offer receipts. They could claim exemption and not be regulated to the extent of registered charities and, in effect, avoid the oversight of CRA. These are organizations that have the option of being registered and choose not to. If the minister is of the opinion that they're a charity, that means they have the right to be registered, and that's what they should do.

The anomaly is that foreign charitable organizations coming to Canada are caught in a trap. The minister may not be able to give an opinion that they're not charities, but they're precluded from registering as charities because only Canadian resident organizations can be registered.

Therefore, we recommend that this committee adopt our view that the rule should be amended so that where the minister's opinion is required that an organization is not a charity in order for it to be exempt, the rule should not include foreign charities, which cannot take advantage of their registered status in any event. This is a problem that we're seeing frequently, and now, with the global economy, foreign charities who want to come here and do things and offer their services get into the tax net—and without that exemption, we feel there's going to be a serious chilling effect on the introduction of foreign charities into the country.

That concludes my remarks. Thank you.

•(1555)

The Chair: Thank you.

Mr. Brown, from the Association of Fundraising Professionals.

Mr. Tad Brown (Chair, Government Relations Committee, Association of Fundraising Professionals): Good afternoon, Mr. Chairman and members of the committee. Thank you once again for the opportunity to appear before you.

My name is Tad Brown. I'm the finance and development counsel for the University of Toronto, but I'm here today representing, as chair of the government relations committee, the Association of Fundraising Professionals—or AFP, as it's better known.

By way of very brief background, AFP is the largest association of professional fundraisers in the world, with over 26,000 members worldwide and more than 2,600 members in Canada, representing organizations literally from coast to coast. We represent charities of all sizes, from the small grassroots to the largest organizations in the country. Our members champion the full diversity of missions and causes—health care, housing, literacy, education, and research, just to name a few.

Our members are also required to sign annually our code of ethics of principles and standards of professional practice, which were first developed in 1964.

I gave you these two pieces of background for two reasons. One is to emphasize the importance that AFP places on ethical fundraising. Fundraisers are stewards of the public's money, and the success of the entire charitable sector is dependent on public trust and confidence. The second is that, because of our diverse membership, any changes in tax policy that we recommend have to benefit the entire sector.

At the outset, I'd also like to thank the finance committee for its ongoing commitment to the consultative process that is undertaken with respect to the budget preparations. The charitable sector, I think, in particular, has a lot to offer in terms of practical solutions, and innovative and practical experience in terms of creating effective public policy.

As referenced by others, the recent creation of the Minister of National Revenue's charities advisory committee, as well as CRA's technical issues committee, are two excellent examples of how government and the sector are working together effectively to create effective policies that advance our mutual goals of building a strong and sustainable sector.

I'd like to echo other comments in that I think the sector would welcome further opportunities to dialogue both with the finance committee and with the Department of Finance at early stages in terms of its development of policy and legislation. The end result, we believe, would be better policy from all perspectives.

The focus of this year's pre-budget consultations is quite appropriately on how to improve Canada's productivity through investments in capital, be that entrepreneurial, human, or physical. As Georgina said, while the terms “productivity” and “capital” are often thought of in the context of the business world, I think we can all agree that the reality is that the voluntary sector has an equally critical role to play in terms of advancing the productivity of our country. In fact, the charitable sector has consistently demonstrated the entrepreneurial character that has allowed it to provide these vital services on very limited funding.

Therefore, the question for today is, what are the best investments that can be made to enhance the charitable sector's ability to deliver these vital and varied roles and services in the Canadian society? Funding is the key. Support for the sector, as always, needs to come from a variety of sources. Government funding remains the primary and essential funding for many organizations; however, philanthropy, the giving of private resources for the public good, is becoming an ever-increasingly important component of the solution. Therefore, today I have two recommendations that will encourage and enhance donations for the public.

Those recommendations are, first and foremost, the complete elimination of capital gains on gifts of securities to charities, including private foundations, as well as extending the same type of exemption to gifts of real estate; and second, the creation of a government-recognized day to recognize and celebrate the importance of the voluntary sector and to increase public awareness of charitable giving, such as a national philanthropy day.

The complete elimination of capital gains on gifts of securities remains the number one priority for the Association of Fundraising Professionals and is the single most effective measure that this committee can recommend to enhance charitable giving. This is not a new recommendation. I would note that this standing committee, as part of its pre-budget consultations, has recommended this enhancement over the past four years, including extending it to private foundations and gifts of real estate. I'd also note that the Senate Standing Committee on Banking, Trade and Commerce did an extensive report last year and, in its interim report, fully endorsed all of these recommendations.

While it's difficult to predict how much additional giving this provision will spur, the evidence of the success of the current measure of reducing capital gains in half for gifts of shares has been dramatic and empirical. The full exemption of capital gains on shares is a measure that will positively affect all the charities, both large and small, across all sectors and is virtually unanimously supported by the sector itself, and as most Canadians' wealth is held in the form of securities and real estate, it is a measure that applies to all.

• (1600)

In its productivity agenda, the committee has questioned what trade-offs might have to be made when deciding between tax incentives and program spending, but eliminating capital gains on gifts of appreciated assets doesn't require this kind of trade-off. The revenue forgone by the Canadian government through this tax incentive will be more than made up through the services and programs that are provided by the voluntary sector, which would directly support the productivity of this country. It's a direct investment in productivity, and it's truly a win-win situation for everybody.

Indeed, I would argue there is no greater guarantee of accountability that these funds will be effectively spent than the close scrutiny and stewardship that's demanded by charities of the thousands of donors across the country, nor is there a better way to leverage additional giving by individuals than through what is a perfect example of an effective public-private partnership.

This is also true of the other recommendation that AFP is presenting, for the creation of a government-recognized day, such as a national philanthropy day, to encourage giving and volunteerism. Governments can have a tremendous effect on public behaviour. The creation of a government-recognized day would send a powerful message to the public that charitable giving and volunteering are critical to our society.

I also want to clarify that AFP does not believe the government needs to fund such a day. We believe that government recognition alone will be enough to encourage significant additional giving.

Last, as has been noted by others, I'd like to note that both of these recommendations have been fully supported by all the national umbrella organizations in the country, including my colleagues here today. As well, AFP would formally like to acknowledge our support for all the submissions of our co-presenters.

To conclude, investments in the charitable sector have a significant impact on our productivity levels. Eliminating capital gains on gifts of securities, as well as real estate, and creating a

government-sponsored national philanthropy day are two important ways in which the government can accomplish that.

Thanks for your time. I welcome any comments that you may have afterwards. AFP appreciates everything this committee has done in the past for the voluntary sector.

Thank you.

[*Translation*]

The Chair: *Merci.*

Next we have Ms. MacDonald from the Canadian Association of Gift Planners.

[*English*]

Ms. Diane MacDonald (Executive Director, Canadian Association of Gift Planners): *Merci.* Thank you, Mr. Chair, and committee members.

My name is Diane MacDonald, and I am the executive director of the Canadian Association of Gift Planners.

The Canadian Association of Gift Planners is a national non-profit association whose mission is to advance philanthropy by fostering the quality and growth of charitable gift planning in Canada. Of our 1,270 individual members, three-quarters work for charities and one-quarter are professional advisers such as lawyers, tax accountants, estate planners, etc.

We are very pleased to be here today to continue our dialogue with the committee and its members. CAGP concentrates their efforts on improving the climate for planned giving in Canada. By doing so, we strive to ensure that our vision remains intact: ingrained philanthropy, enriched communities.

I would like to begin, first of all, by acknowledging our support and agreement for all the points brought forward by our colleagues here today. Support for the sector will add to improved productivity in Canada, and all of the issues brought forward today will contribute to that growth. CAGP also supports AFP's suggestion here today to have a national philanthropy day.

We've chosen to focus on three areas that will enable the charitable sector to grow, ultimately providing productivity and strength in our communities.

Mr. Chair, and committee members, our first area of focus is a request for clarification of Canadian law surrounding gifts of assets in a charitable remainder trust. This is an exceptionally important giving tool in other countries, but there is no clarity in Canada. In 1999 CAGP put forward a proposal on charitable remainder trusts to the Department of Finance. In spring 2003, at the request of several departments, a second proposal was tabled by CAGP for a legislative framework for charitable remainder trusts for Canada.

As you can see, we've been working closely with Finance Canada and CRA for several years on this issue, but major regulatory changes within the sector have delayed this initiative. I want to draw your attention to this delay of charitable remainder trusts in Canada and to what could represent a potential loss of gifts of assets to worthy charities in our communities.

A charitable trust is a life-income gift for donors aged 65 plus. It allows donors to put assets into trust and to retain the life income, and upon their death, the remainder interest goes to charity. This could be a fairly attractive giving tool if clear legislation was put into place.

We feel we are very close to seeing this through. CAGP will be meeting with Finance Canada on November 2 to review the details of our proposal, and we ask for your support in moving this forward.

Our second point is directed at making transfers of certain property to charities more attractive to donors. Currently the one-half capital gains inclusion rate only applies for gifts of publicly traded securities. CAGP agrees that extending the capital gains inclusion rate for gifts of real property would increase the gifts of assets to charitable organizations in Canada. Real estate is one of the strongest sources of personal assets in this country, and there's currently no tax incentive encouraging the gift of this asset to a charity. Gifts of this nature would greatly benefit productivity and physical capital in our communities.

With respect to the inclusion rate, CAGP supports the recent recommendation of the Senate committee on banking. If the inclusion rate were to be reduced to zero, that clearly would be an even greater incentive for donors. On this note, it is unfortunate that the one-half capital gains inclusion rate for gifts of publicly traded securities only applies to a charitable organization and to public foundations, but not to gifts to a private foundation. Much progress has been made by Canada Revenue Agency on charitable accountability and their audit process. We no longer see any real reason for this bias against gifts to private foundations.

Furthermore, nearly two-thirds of Canada's charities have annual revenues of less than \$100,000. This implies that approximately 54,000 Canadian charities have small budgets and may be struggling with the potential lack of professional administrative capacity that can deal with the management of gifts of assets. This is where the private foundation can play a strong role. Private foundations are intermediary granting charities that provide professional management of assets for the benefit of operating charities, therefore providing exceptional value for small and medium charities.

•(1605)

Last but not least, CAGP generally supports the steps taken by the government to provide greater tools for regulation and audit of the charitable sector.

We particularly support those measures that enable the sector and the government to work together. However, the CAGP recommends that the committee review areas where increased complexity has created unnecessary administrative burden to the charity, resulting in operating impediments to the charitable sector.

We encourage the government to simplify its approach so that charities can concentrate on capacity building and not be over-

focused on compliance to the detriment of the core administration function of the organization.

On behalf of the Canadian Association of Gift Planners, I want to thank you for the opportunity to speak to you today. Merci.

The Chair: Thank you.

Ms. Pearson from Philanthropic Foundations Canada.

Ms. Hilary Pearson (President , Philanthropic Foundations Canada): Thank you very much, Mr. Chair, honourable members.

Philanthropic Foundations Canada welcomes the invitation of the committee to comment on the theme of enhancing productivity. We agree that this is an important policy area in which to provide advice to the government and the Minister of Finance in advance of the next federal budget.

Our mission as a charity is to foster a social and regulatory environment in Canada that encourages philanthropic contribution. A major reason for fostering private philanthropic contribution is the fact that it is dedicated to improving the lives of people and the health of communities.

Much of what philanthropy does is directed to investing in human capital in the broadest sense. More specifically, private funders contribute greatly to the tools and the infrastructure that support the development of human capital—in other words, education, training, and lifelong learning, not to mention health facilities, research, and many diverse social service projects that help disadvantaged Canadians lead more productive lives.

Every year our members contribute about \$200 million in grants to Canadian registered charities. Over \$80 million was contributed in 2003 to education and to social services, with another \$32 million going to health. This is only a portion of the grants that are made by all private and public foundations in these areas annually, and the amounts are increasing as more philanthropic resources are committed to foundations.

While the dollar amounts may seem small in relation to government expenditures, the nature of the grants that are made by our members and by other foundations is critically important.

The committee's theme paper referred to the importance of innovation and entrepreneurship. This form of dynamic investment is considered, rightly, to be critical to productivity growth. As it is in the business sector, so it is in the social sector. Social entrepreneurs generate the exciting new ideas and the approaches that can have an enormous impact on the resolution of productivity blockages in the form of idle or underused human resources. And given the dynamic and unproven nature of their activity, these entrepreneurs are most often funded initially by private funders, not by public government funders.

•(1610)

[*Translation*]

Foundations contribute their funds and their knowledge to foster social innovation. They support the testing of innovative solutions to key challenges confronting our communities, such as immigrant integration, environmental management, aboriginal education, social inclusion and reduction of poverty. They also support the conditions in which leadership capacity is developed and ideas are put into practice.

Many Canadian foundations today are supporting various initiatives to support grassroots leadership training and skills building in various fields. These initiatives contribute directly to the productivity of voluntary sector leaders. They will have long-term positive results as young leaders move into the field of community development and action.

[*English*]

Since private philanthropic contribution is so important to the productivity of Canadian voluntary sector organizations and of Canadian communities, we argue that the federal government must help to grow private philanthropy and individual giving. It can do so through greater use of the underutilized potential of tax incentives. In 1997, the federal government created an incentive to donate assets when it introduced the capital gains tax reduction for donations of publicly traded securities—this has been referred to by my colleague—but it did not make this reduction equal for gifts of securities to private foundations, as mentioned by the Canadian Association of Gift Planners.

We urge the committee to recommend to the government that it offer the same tax treatment to donors to private foundations as it does to public foundations. And we've made this recommendation to the committee for four years. This would be, in our view, a cost-effective, equitable, and simple-to-implement means of promoting more private giving to our communities, thus supporting their capacity to be productive and hence to raise living standards.

The Senate Committee on Banking, Trade and Commerce made this recommendation in its December 2004 report, "The Public Good and Private Funds", suggesting that the change be made on a temporary five-year basis to allow the Department of Finance to evaluate its impact and to ascertain if any abuses emerge through instances of self-dealing. We believe that federal policy and tax incentives should focus on increasing overall giving and not on deterring it. What the public wishes to see is that the law adequately deters illegal or unethical behaviour of a foundation or a donor. With this we heartily agree, and we support the use of appropriate monitoring mechanisms to deter the self-dealing. In other words, we believe the government should focus on getting the money into the charitable sector and worry about potential abuses through appropriate measures in the Income Tax Act against self-dealing.

[*Translation*]

Recommendation 2: encourage greater coordination of federal accountability requirements and funding mechanisms to foster innovation, more effective use of time and greater productivity in the voluntary sector.

As the committee is aware, the federal government has moved to a more demanding accountability regime for its grants and contributions over the past few years and has become more restrictive in its funding of core operations.

We, as private funders, are concerned about the effect that this is having on productivity as organizations struggle to apply for, obtain and report on their federal funding.

[*English*]

In closing, we urge the committee to recommend that the government re-commit itself to regular consultation with the voluntary sector on funding policy matters. More collaboration and transparency on both sides will undoubtedly lead to a more productive sector and ultimately to more capable and more productive citizens.

Thank you for listening.

•(1615)

The Chair: Thank you, Ms. Pearson.

[*Translation*]

We now welcome Ms. Patten from Community Foundations of Canada.

[*English*]

Ms. Monica Patten (President and Chief Executive Officer, Community Foundations of Canada): Thank you very much for the invitation to be with you again this afternoon.

I'm here on behalf of Community Foundations of Canada and I will come to that in just a moment. But I first want to tell you a little bit about how I spent my morning.

Today I had the enormous privilege of launching the new human resources sector council that has been recently established to serve the needs and the interests of employees and employers in the non-profit or voluntary sector. I played that role in my capacity as one of the hosts of the program that launched the sector council, Community Foundations of Canada, in partnership with the United Way of Canada/Centraide Canada.

This board is made up of an extraordinarily impressive group of Canadians, all somehow either as staff or as board members associated with the voluntary sector, and they've come together to form this very first board. They're very excited about their work, and I promised them as I left that meeting that on their behalf I would thank the Government of Canada, and HRSDC in particular, for leadership in getting this sector council up and running, and so I do that.

But as we went around the table getting to know each other better, I was struck by the similarity of messages that each person was putting forward. To quote one articulate, highly regarded and well-known sector leader, his words were: "Our infrastructure is rusty". Just as the infrastructure in many of our towns and communities is rusty, our infrastructure, the sector's infrastructure, is rusty.

Person after person spoke about the potential of the sector, but noted the barriers to achieving that potential, and many of those barriers have to do, as has already been said, with staffing and personnel. It was noted as an example that the low wages this sector often pays probably contribute to the vulnerability of many people in the workforce, people who are working for very low incomes—I think some 1.9 million people has been offered as a number earlier today.

It was noted that newcomers to Canada often go to work in the not-for-profit sector because that's where they can find jobs. They enter the workforce at very low wages, and it's quite often difficult for them to move to different kinds or better paying jobs. It was noted that youth do not see our sector as an employee of choice. And yet the sector, as has been so well said by my colleagues today, is really the backbone of community life, of civic engagement, of providing services and programs.

So while being very grateful for the council's appearance on our national landscape, I want to very strongly urge that the sector's employees be considered in all workforce and labour strategies that the Government of Canada considers when it is planning for the investment in human capital. That would be my first recommendation.

I want to very quickly say I very much support the recommendations made by my colleagues around the table, recommendations that would strengthen this sector and build philanthropy in Canada—that is, private giving for public good. Again, we support the recommendation of the complete elimination of the capital gains tax on gifts of appreciated assets, including for private foundations. We support the recommendation to contribute a one-time capital contribution to the bank that Georgina described, and to create a government-sponsored day to recognize the importance of the voluntary sector and increase public awareness of the role that charitable giving plays in the life of our country and in supporting this sector.

I want to spend the next couple of moments on philanthropy. There is a huge potential for philanthropy in this country, and that has already been stated by many of my colleagues. I'm aware of that every time I go back and forth across the country and visit in a community and I hear that people want to get involved. They want to share the richness that they have. They do not want to take over what government should be doing—and I stress this—but they want their private resources to add value to the public purse for the public good, and they want to hold government to account for its often-stated commitment to work in partnership and to consider innovative new ways of unleashing resources to build productivity in strong, resilient communities.

I represent a network of 150 member community foundations, 150 and growing. We hold collectively \$2 billion in assets, and we put about \$100 million into our local communities every year. Some of

us in my network of community foundations have been considering how we can enhance philanthropy—invite, encourage more philanthropy. One of the things we've been thinking about is ways that we can marry public funds and private philanthropic funds to come together to build capacity that will lead to a better equipped, educated, and productive public and voluntary sector.

• (1620)

In the brief we have given you, I have laid out the notion of the Government of Canada offering challenge grants. It is something that exists in many parts of the world, and I'm not going to spend a lot of time talking about the technicalities of it. We propose that we test a program of challenge grants that would in essence multiply the resources available to strengthen some of the basic social infrastructure and add capital. These are the resources that have been made available through government programs, grants, and funding programs, to which we would add philanthropic dollars that we would raise to match those dollars. This would add both human and financial capital to all of our communities.

There are many models for this outside Canada. There are a few inside Canada. In this country, most of them have to do with the relationship or the partnership between private foundations and community foundations. There are a few examples of government and public foundation partnerships around challenge grants. Again, I build on some of the ideas that my colleagues have talked about.

For instance, we could raise new money to help fund some of the capital costs that non-profit day care organizations have, funds that are very difficult for them to receive.

We could add money to have more tutors in literacy programs. We all know that the needle on literacy in this country has not moved, and it needs to move. Philanthropy can make a contribution to that.

With more money, we could begin to address some of the issues around housing and shelter. Of course, we know that roofs and shelters are a core issue, but we all know this is a more complex issue that requires a holistic kind of response. There are many things that need to be added to comprehensive housing and shelter programs that philanthropic and government dollars combined could provide.

We could perhaps help to address the issue that Marlene raised, if there are new dollars, which is the issue on space, offices, and convening places for urban organizations.

I am not suggesting that philanthropy should do all of this. In fact, I would argue very strongly that it shouldn't. I think it can work effectively in partnership with government not only by bringing in some of the tax changes that we've heard about this afternoon, but in new and innovative ways, such as the kind of thing I have described here.

In this country, we need to find a new way to tap into philanthropy and into that philanthropic impulse that members and I feel, touch, and see every single day of every year. We need to add philanthropy as a tool to encourage productivity and prosperity. It is right there in front of us, so I urge you to grab hold of the recommendations that have been made this afternoon and to consider the kinds of ideas that I have put forward.

Thank you very much.

The Chair: Thank you.

We'll go directly to the members. To remind everybody, it's seven minutes for questions and answers. If the witnesses could keep their answers to a limited amount of time, it would help.

Mr. Jean.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

As a member of the CBA for many years, I was certainly glad that the person who wrote your paper was not the same person who did our newsletter. I needed an extra translation to make that easy to read and understand. I'll read it tonight in the hope that I'll glean more from it.

My question is actually for Mr. Brown. I think the U.S. has eliminated most of the capital gains on gifts in kind, which is something that you're proposing. What has been the outcome in the U.S. specifically in relation to fraud, reduction in services, and reduction in gifts? Has anything like that surfaced?

Mr. Tad Brown: No. In fact, the example in the United States is the model we would propose to follow. The zero capital gains on gifts of securities, in particular, is an enormous source of philanthropic dollars in the U.S. As well, for real estate, some of the issues that you've heard regarding fraud have been when other assets have been given that are hard to value. The rules in the U.S. are very different on this.

The point of these two capital assets, in particular securities, is that the two are extremely easy to value on the markets. We're talking about publicly traded securities, so the possibility of fraud is very small. Indeed, the other capital asset we're speaking about is real estate. Again, it is broadly traded and marketed every day.

In my view, there is very little opportunity for fraud. In fact, the model in the United States is one that, in this area, I think we could follow.

•(1625)

Mr. Brian Jean: What about the effect on services generally and donations of other kinds? With this opening up, has it increased the level of donations? It probably has, but has it reduced any other intake of money?

Mr. Tad Brown: No. The overall effect is an increase in total donations. I think the key here is that tax changes don't inspire people to make gifts, but they do inspire them to make bigger gifts. So with more advantageous tax rules, the people who are going to be giving will in fact be inspired to give that much more. That was certainly the example we found when the first measure was introduced in 1997, reducing the capital gains inclusion rate to 0.5%.

Mr. Brian Jean: Have you seen, by the empirical evidence in the U.S. especially, any reduction in government support as a result of this increased giving, or has there been any reduction in, in essence, taxpayers' support for funding these organizations?

Mr. Tad Brown: Not that I'm aware of. Again, it's a very different matter. The provisions in the United States have been there for some time, so it's hard to judge if there has been any change in the policy on it.

Just to mirror what others have said, I think the point of this is not to ask for a reduction in funding from other sources, be it government or otherwise; this is in fact just adding another tool to charities' tool belt in terms of how they can raise resources to provide the services they do.

Mr. Brian Jean: As one final question, I wonder if any of the presenters here today are aware of any floating rate, any countries that have gone with a floating-rate capital gains exemption for the same thing, such as Australia. My understanding is that some years ago they had a floating rate on exemptions—the larger, obviously the less percentage.

Mr. Tad Brown: I'm not aware. In fact, again, the beauty of the presentation here is that without the floating rate, I would recommend an across-the-board zero percent, in that it is then the same effect for tax purposes for donors. Whether they give \$1,000 or whether they give \$10 million to charity, the tax benefit to them is exactly the same, so it benefits all Canadians.

Mr. Brian Jean: Thank you very much.

The Chair: Thank you.

Mr. Solberg.

Mr. Monte Solberg (Medicine Hat, CPC): I have a question.

Ms. Pearson is here, and I would be in big trouble if I didn't ask a question about private foundations and the fact that they do not currently have the ability to offer a tax credit for capital gains for a gift of something that would normally attract capital gains. The 50% rule does not apply.

I see that in your presentation in the Senate you were willing to accept the idea of having a five-year period where private foundations would be allowed to give credit for up to 50% of a gift of registered securities, I gather. Why don't you give us your position on that and tell us what the primary concern is with private foundations being granted the same tax treatment as public foundations with respect to those gifts?

Ms. Hilary Pearson: We've had a number of conversations with the Department of Finance about this. The reason given by tax policy officials for not wanting to give the same incentive to donors of public securities to private foundations as they do to charities is that there may be a higher potential for abuse, self-dealing, because donors—and it's presumed that they're giving to foundations that they control—might somehow use this gift, and the fact that there are public securities being held by the foundation, which they control through their board, and holdings of securities that they have as individuals, that somehow those blocks of securities could be combined in a controlling position that would then be turned to their advantage. That's why we have focused on, in our discussions with them and at the Senate, our willingness to look at ways of deterring and regulating potential for abuse, through the Income Tax Act.

Our concern has been all along that in trying to avoid abuse by deterring the gift, in fact charities are being hurt, the communities are being hurt, because the money is going into foundations and then it's going out again to communities. It's not going back to donors, it's going out to communities. So this particular way of trying to avoid abuse is in fact hurting the public. It would be much better to get the money in—and as Tad just said, there is a lot of potential out there for more money flowing into foundations—and deal with the concerns around potential abuse, through other regulations that already exist in the Income Tax Act.

The Senate committee said to try it on a five-year basis, see if there is more abuse, and work on deterring it through the Income Tax Act. We support that.

• (1630)

The Chair: Thank you, Mr. Solberg.

Monsieur Bouchard.

[*Translation*]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chairman.

My question is for Imagine Canada. I appreciate the importance of the non-profit and volunteer sectors, as well as the importance of funding these organizations. In my riding of Chicoutimi—Le Fjord, a number of agencies have told me that they devote approximately 80 per cent of their time to fund-raising activities.

In your brief, you talk about new initiatives to encourage donations and a commitment to exploring the possibility of enhanced tax credits for charitable donations.

What kind of new initiatives did you have in mind?

Mrs. Georgina Steinskey-Schwartz: Thank you for your question, Mr. Bouchard.

My colleagues explained the kind of measures we had in mind. We're talking about changes in the area of cash donations and in those areas which Ms. Pearson discussed. We support our colleagues' recommendations, as well as Ms. MacDonald's proposals regarding charitable remainder trusts. These are the types of donations we had in mind.

Setting up a bank that specializes in the needs of charitable organizations is another measure that has our support and that is not directly tied to the taxation system. The federal Business Development Bank of Canada focusses on the needs of SMEs. Mention was made in the Throne Speech two years ago of setting up a bank that would specialize in the needs of charitable and volunteer organizations. We believe this initiative deserves our support, because it will help groups like the ones in your riding who have seen their productivity decline because of their ongoing focus on fund raising and their inability to spend enough time providing the services they should be providing.

Mr. Robert Bouchard: Compared to the current situation, would you qualify the changes you're requesting as major, or minor?

Mrs. Georgina Steinskey-Schwartz: I could let Mr. Brown or Ms. Pearson answer, but I can't say for certain what the impact of these changes will be. However, as far as the taxation system is

concerned, we think — that is we hope — the proposed changes will encourage more people to make donations to charitable organizations.

Do you have anything further to add, Hilary?

• (1635)

Ms. Hilary Pearson: I would have to say that from a taxation standpoint, these are not major changes. They would not prove too costly to the government to implement. The ripple effect this would create in terms of increased donations would more than offset any costs to the federal government.

Mr. Robert Bouchard: My second question is for the Voluntary Sector Forum.

I understand that you would like the federal government to develop and implement smart, effective and viable funding mechanisms for this sector, as well as appropriate, relevant reporting measures.

I'm not sure whether you've taken into account the fact that there are two levels of government in Canada, namely federal and provincial. Would you consider asking the federal government to transfer funds to the provinces and to Quebec, so that provincial governments can assume certain responsibilities, or do you feel that this is a federal responsibility?

Mrs. Marlene Deboisbriand: First, let me say that you're not the first person to ask that question. Clearly, the provincial and territorial governments provide the vast majority of the funding for the voluntary sector. However, a portion of the funding comes directly from the federal government.

As a Canadian forum representing national, pan-Canadian organizations, we are really directing this request to the federal government. The process is already fairly complex, given the number of departments we deal with. Work is already underway, but we want to be able to proceed more quickly, and more efficiently.

Funding practices could be reviewed. As committee members, you probably know that in this sector, we talk about project funding and about short-term financing. It is difficult to maintain a stable organization and work force when you go from project to project, with 18-month financing provisions.

With more stable and more dependable long-term funding mechanisms, such as multi-year federal financing, we could actually adopt the best practices and develop them with the federal government. Then we could think about targeting all provincial and territorial governments through our provincial and territorial networks.

Quebec is leading the way in this sector, compared to the other provinces. For example, SACA has some very interesting funding policies in place. Of course, we are working closely with the provincial governments to assist our efforts with the federal government. A number of interesting practices are already in place and could be applied to our work with the federal government.

Therefore, initially we are targeting the federal government. Later we'll see how we can work with certain provinces to help them improve their funding mechanisms as well.

Mr. Robert Bouchard: Thank you.

The Chair: Thank you, Mr. Bouchard.

Mr. Bell.

[*English*]

Mr. Don Bell (North Vancouver, Lib.): Ms. Georgina, if I could just call you that—

Mrs. Georgina Steinskey-Schwartz: That's what everybody does.

Mr. Don Bell: Further to the question on the charity bank, first of all, this isn't the first time. We saw this last year as well.

Mrs. Georgina Steinskey-Schwartz: It was actually mentioned in the Speech from the Throne two years ago as a concept to be encouraged, and there has been a group working with the board of directors, etc., as a separate organization to try to bring this to fruition. There's now a proposal. I believe it's the Minister of Social Development and his department who are working on a specific proposal for cabinet to really explain how this bank would work. So what we are really asking for is that when the proposal comes forward, this committee endorse the government's support of it.

Mr. Don Bell: The tier one capital needs you're talking are something like \$50 million.

Mrs. Georgina Steinskey-Schwartz: I believe they are in that order of magnitude, that's correct. And I should say that the bank has also been trying to match that. I'm not sure if it's an exact match, but they've been seeking private capital as well, so it wouldn't only be government capital.

• (1640)

Mr. Don Bell: The question I have is about your mentioning that it would help reduce fundraising time. I share my colleague Robert's comment—at least in regard to charities that I hear from in my riding—about the time they spend fundraising rather than doing the job the funds were raised for. But the question I wonder about is that if it's a bank, in the sense of making loans.... Is that what we're talking about?

Mrs. Georgina Steinskey-Schwartz: Yes.

Mr. Don Bell: How does that really help them with their fundraising time, if it isn't the super foundation that in fact provides funding? A loan has to be paid back.

Mrs. Georgina Steinskey-Schwartz: Correct, and in fact the concept here is actually similar to what I was mentioning to Mr. Bouchard. For the federal government—which still supports the Business Development Bank of Canada—the concept is that there are certain things where the private banking sector may not be as specialized in terms of particular needs. Here we're often talking about very small organizations, which are the ones you often meet in your community as well. So the sense is that an institution that understands the needs of these organizations and specializes in them—and yes, you're quite correct that initially it is envisaged that these would be pretty traditional, very simple banking activities—could in fact, first of all, help these organizations understand their whole financial needs better. And second, it is envisaged that the institution

would help them with some financial advisory services as well. So the anticipation is that perhaps in helping them to rationalize their needs, the institution might actually also decrease the fundraising time, because the whole process by which they would get organized would be a more professional one.

The whole notion here is that these are, for the most part, small organizations that don't have the resources for professional advice, and that an institution working with them could help in that regard.

Mr. Don Bell: In other words, in the traditional sense in the business world, where an applicant needs a business plan—

Mrs. Georgina Steinskey-Schwartz: Yes, things like that.

Mr. Don Bell: —it's coming forward with a business plan for that particular charity, which—

Mrs. Georgina Steinskey-Schwartz: It would be helping them with that, and that's certainly what's envisaged.

Mr. Don Bell: Okay, and I think I understand that better.

Certainly the general comments, if I'm understanding the thrust from all of you, are that the system needs to be simpler.

I made a note here on your presentation, Mr. Parks. The question I have for you is this. Do you have any comparisons in terms of accountability complexity with the U.S., for example, where some of the similar charities would cross borders? There are parallel sister organizations quite often. Is it a lot easier in the States? Is there anything we can learn from?

Mr. James Parks: I think that might not be a good comparison in this particular situation. I think theirs is extremely complex, but I think they have lots more categories of charities and different ways of giving that require that level of complexity.

Mr. Don Bell: So there isn't a model there that is waiting to be embraced.

Mr. James Parks: No, our submission and discussions with the finance department was to back up and say, let's have a homegrown thing that works for us.

Mr. Don Bell: Okay, I was just curious as to whether the wheel had already been invented and we were just ignoring it, but that's not the case.

Mr. James Parks: Maybe some of the spokes are out there, but I don't think the whole wheel is there.

Mr. Don Bell: As a former municipal politician, I've had a lot of on-the-ground dealings with local charities. There is always the question of government money, be it federal, provincial, municipal, being matched in some way or, in fact, governments providing, in many cases, assistance that is maybe not monetary, but infrastructure support, either in staff assistance or physical space, which helps to offset costs that can be valued, I guess, and increase the asset.

Certainly volunteerism and the role that charities play are integral to the health of our communities, so I support what you're speaking for here. It's just about the issues of trying to meet the requirements to ensure that in fact there is accountability, particularly where public funds are involved.

My experience, though, with 30 years in local government has quite often been that some of these groups did not have these kinds of controls, and in fact there were abuses. Some may have been deliberate, and others were ignorant abuses, unintentional, but they ran afoul of the rules by not realizing it.

I think the concept of the charity bank is a good one if it provides that kind of assistance.

I gather both from Hilary Pearson and Tad Brown, if I understand their briefs, that the argument for including the private foundations is that they can sometimes bring this business expertise that has come by virtue of the success of the people in private enterprise who are now in a position to create these foundations. Is that...?

• (1645)

Mr. Tad Brown: One point, I think, goes to Hilary's point. The role private foundations often play is on the entrepreneurial aspect, meaning that they will often fund projects that others—larger foundations or individuals—will not, and so they can be very targeted and do innovative things. And there are countless examples of initiatives they have started that others have followed up with.

Perhaps, on your earlier point, I can comment about the accountability issue in terms of enhancing all of the types of options of increasing charitable giving. In the last budget round, the government adopted some 169 recommendations out of 175 from the joint regulatory table, and there are now significant changes, the largest in the regulatory reform in terms of how CCRA and the charities directorate can now enforce the rules and have interim sanctions and much stronger tools for making sure there is accountability within the sector.

So I believe much of the accountability has in fact been looked at through the last round, and now what we're saying is, by having that in place, it's time to look forward to giving charities the tools to grow.

The Chair: Thank you.

Thank you, Mr. Bell.

Ms. Wasylycia-Leis, and then I have Ms. Minna.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Thank you, Mr. Chairperson.

Thanks to all of you for very thorough presentations, again. I think most of you were here last year, right?

A witness: Yes.

Ms. Judy Wasylycia-Leis: You've probably been doing this for a long time, since before I've been around as finance critic.

I'd like to know what you've been able to accomplish over the last number of years in terms of changes to the Income Tax Act or other changes that have actually benefited the voluntary sector and the whole area of philanthropy. What have you gained and what is your biggest request today? Is it the elimination of the capital gains tax? I just need a clarification. And if that's it, do you have any idea what it will cost the treasury?

Ms. Hilary Pearson: Who's going to take that?

Mrs. Georgina Steinskey-Schwartz: I guess a number of us can.

Ms. Judy Wasylycia-Leis: Unless one of you can speak for everybody. That's fine too. Why don't one of you try to see if there's any disagreement?

Mr. Tad Brown: As you've heard, we have all supported the various initiatives that have been put forward by each of us, so I would say, consistently, the one recommendation this table has made over the last number of years has been the full reduction of capital gains on gifts of securities. I think we are unanimous on that point, and in terms of the effect on increased giving, I truly believe that is the biggest step that can be made. There are other important initiatives, but that is truly one, as you've heard, that we've been talking about for some four years now and this committee has listened to and supported for some time.

As we've said before, in terms of the cost of that measure, again my position is that it's hard to evaluate because we don't know what the increase in donations will be as a result—that's an unknown. As I've said in my presentation, I don't think it should be looked at completely as a cost issue, because the dollars that will be lost on it in terms of tax receipts that go out are being directed directly into the charitable sector to provide the services that the community determines are the most valuable. I don't actually see, in terms of how you value this, that it should be judged as a cost on it.

Mrs. Marlene Deboisbriand: I would maybe venture on this one that what you've heard us say are two things: there are some money issues and there are some people issues.

On the money side, there are ways to increase our intake of money, and my colleagues have spoken much more eloquently than I could on the charitable tax credit, etc. The other side of the money issue is reasonable accountability, processes, and good adapted financing instruments, so that people aren't running for money every 12 months or having to find bridge financing between two projects. And so there's a little more ongoing, and you'll see some of that. One is about increasing the dollars, and the other one is a better utilization of the dollars and resources on the money side.

I think what you've heard on the people side is a need to continue to invest in our paid employment force. It's important, it's vibrant, and it's probably not as strong, not as youthful or as long term as we need it to be, because we need some investment on that side, and that's the HR council. The second side of the people story is the volunteers, and there's been some really good investment from the federal government into the Canada volunteerism initiative and we need to protect those dollars. The volunteers and the staff of our organizations are those who deliver the services in the end.

In a simplistic way, then, it is about money and people.

•(1650)

Ms. Judy Wasylcia-Leis: On the people side—

Mrs. Georgina Steinskey-Schwartz: Could I add one thing? You asked the question about what has been gained.

I would say that in the last four or five years we've seen a number of things. First of all, we have seen that with the right tax incentives people do give more. That's been a big gain. That's why we've had a lot of discussion and why we've been back here every year around the capital gains issue. That's one big gain.

The second big gain—and this is why I was speaking about keeping the voluntary sector visible in the national statistical system—is that we're now able to describe ourselves and in fact discuss issues of productivity. Until last year we were not able to do so because we had never been a visible part of the national statistical system.

The third element, I think, is that we have begun to see, with government help, but with organizations also stepping up to the plate and private donors stepping up to the plate, an attempt to get organized and to be more professional. Hence, things like the recommendation around the charity bank, the fact that this proposal got put together, got approved in the Speech from the Throne a couple of years ago—these are all signs of professionalism. In taking volunteerism seriously, how does one promote it?

Those are all gains that when we appear before you now, we're really trying to build on, because we believe so passionately that this sector—we're finally understanding what it is and what its issues are—is an important part of Canadian society.

Ms. Judy Wasylcia-Leis: Thank you. That's a very useful clarification from all of you.

I have a couple of quick questions, if the chair permits me, on the people side.

We've had some private members' bills before, and we'll probably get more in the future, around permitting volunteers to deduct expenses, as a way to encourage volunteerism. If you have any thoughts on that, it would be appreciated.

Secondly, how could we actually look at the whole voluntary sector in terms of it being an area for training, to fill the needs of the paid workforce? In other words, make the linkage between what the voluntary sector is doing without pay, but acquiring an enormous amount of training and expertise, and translate that into meeting the needs of the workforce and enhance increased productivity.

Mrs. Georgina Steinskey-Schwartz: That's quite a complex question. The first point I would make is that there is this misconception that the voluntary sector is all volunteers. If you look at the material we prepared.... Again I'll come back to the fact that now we're part of the statistical system, we know that we represent 11% of the Canadian workforce. A lot of that is not volunteers. In fact 2% of the GDP is volunteers; 6% of the GDP is paid people working, and that's why this human resources sector council is so important. That's the first point.

The second point around a link between, if you want to call it, the for-profit workforce and the not-for-profit workforce is that you will see, for example, private companies that will often recognize that

working in the voluntary sector as a volunteer is a hugely beneficial thing to be doing for their employees. It is, and many companies are now encouraging it and have various proactive programs, because they see that by their employees being exposed to the voluntary sector and to the complexities of the issues in their community, they in fact have better employees. So that is already going on in a very aggressive way in many companies. In fact, some of us are out there encouraging more to do that.

The Chair: Thank you, Ms. Schwartz.

Ms. Minna.

Hon. Maria Minna (Beaches—East York, Lib.): Thank you very much for all of your presentations.

You're quite right, the majority are employees. I was involved for a very long time myself. Sure, the agency that I headed as the voluntary chair of the board was a voluntary not-for-profit organization, but our professional staff was our professional staff. It's how you deliver the services. Well, of course, there are also volunteers to do that. That's part of it.

I'm glad to see that sector councils are set up. Actually, the concept of a sector council was mine, by the way, in 1993. While we were lined up to vote for the Speaker, Lloyd Axworthy—the then minister—and I were discussing what to do and how to deal with a certain issue of manpower. I won't waste your time, but I'm glad to see that finally has reached the voluntary sector.

I have a couple of questions with regard to the charity bank. Do you see part of the charity bank linking up with what we now are calling social economy-type programming? I know you said that this would help tremendously smaller not-for-profit organizations with fundraising and what have you, but the charity bank is still a loan, and most not-for-profit or voluntary agencies, especially the smaller ones, are always strapped for funds. I just wondered how that helps, really.

•(1655)

Mrs. Georgina Steinskey-Schwartz: I think there are a couple of things.

In response to your first question about the links to the social economy initiatives, which were figured so prominently in the last budget, this is very much seen as one of the elements of also encouraging social enterprise. I think the innovative thing about that social economy policy is that it has also opened up programs that are available—well, you know this—to small and medium enterprise to social enterprises, which I think is great, because it recognizes the similarity. Yes, that would be one element of the work. There is certainly a linkage between the two.

With respect to the issue of loans, I think there are two things. First of all, I should say I'm not per se the spokesperson for the charity bank, but we're recommending it and hope the committee endorses it. The charity bank has several components. The first is to provide competitively priced financial services and an understanding specifically of the needs of small and medium organizations. So an important element is not just the fact that they would take deposits and make loans, but that they would also provide financial services or financial advice. It's the whole concept of helping these small and medium organizations be more professional in the same way as small and medium enterprises need advice. I think the notion is that you have someone who really focuses on the sector and its needs, provides advice to these organizations, and perhaps could in the end also help them to deal with the issue of the granting. I understand your point about the loans, but I think the belief is that the process of helping these organizations through thinking through their needs will actually be effective as well.

Mrs. Marlene Deboisbriand: The one thing that convinced me the first time I heard about the charity bank was the notion of adapted instruments. The best example I could give you is that oftentimes, especially with government funding, you must first account for what you've just done with the first quarter of money before you get the second. So there are gaps—huge cashflow issues between payments. A financial institution that would understand that and know that the next payment is guaranteed because you have signed a contribution agreement or grant would facilitate those in-between gaps, letters of credit, etc., which traditional institutions are less forthcoming with in many cases.

Hon. Maria Minna: So the account of the agency that I was with, which is in a regular bank, would be with a charity bank, and the mortgage for the building that we bought for rehabilitation of injured workers would probably be with the charity bank—which actually goes to the social enterprise issue, which you just mentioned, which is what we were doing. So that kind of connects.

I want to get a clearer picture, for a moment, on the challenge grants. I understand the two-for-one, the matching dollars, and so on. That's simple enough. I'm trying to understand how that would actually work on the ground.

I go back to my experience for about 20 years in the field. I was working and heading a fairly large immigrant service organization in Toronto. But that sector of immigrant organizations tends to be the lowest funded—a tremendous amount of need of expertise and underfunded badly. They're usually trying to provide a service for a whole sector in communities that can't access other programs very easily, and they're usually the last to be funded and to be seen, even with....

This is not to criticize the United Way or any of the other organizations, but there's an established lineup and it's hard to break in. They get project, project, project—and it's constant.

It's a huge sector. I'm thinking of Toronto for now, but I'm sure Vancouver or maybe Montreal might have a similar situation—I don't know, but certainly Vancouver. So I'm trying to understand how this helps that at all, because these are not a unit. They're separate.

• (1700)

Ms. Monica Patten: Thank you for the question.

I can't speak for particular agencies or organizations, obviously, but the intent here and the evidence has been that there have been significant new dollars flowed through grants to organizations that qualify for them. In the case of public and private foundations, those would be registered charities. So what it is really doing is making that philanthropic pie a lot bigger. It's all about leverage. It flows more money through grants, and it builds networks and strengthens relationships, which we know are tied to community prosperity, for example. We know that how people connect with each other and the way they can relate to each other is part of a healthier and stronger community.

It also would have the possibility...and again we've seen this in a number of communities. I think of one very quick story, in the north of England. A very small community foundation, because it had some money that it had levered with government support and some donors, actually did some convening of the community. This happened to be the community where some of the suspects in the recent bombing came from. So they had some resources to do some convening in that community and bring the community together to become aware of some of their own issues and problems in a way that they hadn't been before.

So some of it is about granting. Some of it is about community engagement and building and strengthening the networks in the community.

The Chair: Thank you, Ms. Minna.

We have to get going.

I want to thank the witnesses once again. It was nice to see the panel being organized. I think it helps us to make a decision, at least. But we appreciate when the panels are organized. It makes our job a lot easier. So again, thank you.

The meeting is adjourned.

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