

The Broadbent Report*: An Overview

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As incidents of corporate improprieties came to light during the early 1990s and concern about government profligacy spread throughout the western world, pressures grew to improve accountability and governance practices in the public and private sectors. By mid-decade, these pressures encompassed the voluntary sector as well.

In Canada's private sector, these pressures prompted a wholesale review of corporate governance practices by the Toronto Stock Exchange which resulted in a scathing 1994 report titled "Where Were the Directors?". The issues raised in this report – about the effectiveness of boards and the diligence of directors – heightened awareness throughout corporate Canada of the need for more rigorous governance practices.

Business leaders who were active on charity and not-for-profit boards soon began pressing for comparable reforms in the voluntary sector. Their concerns about governance coincided with a parallel concern about expenditure accountability that emanated from the public sector as governments began addressing their huge fiscal imbalances. The federal government's exhaustive Program Review exercise, initiated by a newly-elected Liberal regime in 1994, soon began questioning whether adequate value was being received from the 60 per cent of charity spending that was funded by government grants and contracts.

This pincer-movement on the voluntary sector was strengthened and reinforced by several media exposés about high fundraising costs and charity mismanagement. (The most high-profile of these focused on the Canadian Red Cross's tainted-blood scandal and the misappropriation of funds by United Ways of America's president.) By 1996, the Centre for Philanthropy's research was revealing an alarming degree of skepticism among Canadians about whether their donations were being used efficiently and effectively. Although top-of-mind impressions about charities remained overwhelmingly positive, focus group discussions revealed a strong undercurrent of negative perceptions about high administration costs, offensive fundraising practices and spending that produced too few results.

* *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector*, Final Report of the Panel on Accountability and Governance in the Voluntary Sector chaired by Edward Broadbent, February 1999.

Several leadership organizations in the voluntary sector responded with an array of initiatives, including attempts to develop outcome-based assessment tools, new training materials for directors and the development of an *Ethical Fundraising and Financial Accountability Code*. At the same time, governments began tightening their regulation of the sector, with a new *Charitable Fundraising Act* in Alberta, an expanded annual reporting form for charities, and new money for inspectors in Revenue Canada's Charities Division. Still, critics in Parliament and the media continued to characterize the sector as inefficient, wasteful, and insufficiently regulated. Publication of a book with the sensational title *The Charity Game: Greed, Waste and Fraud in Canada's \$80 Billion-A-Year Compassion Industry* provided ample evidence that a more comprehensive response was required.

Enter the Voluntary Sector Roundtable. The VSR was created in 1996 as a loose coalition of 11 umbrella organizations whose members span most of Canada's voluntary sector, from health charities to social service agencies, from arts and recreation groups to the environmental movement and international NGOs. Its specific mandate is to improve the voluntary sector's relationship with the federal government. VSR members quickly agreed that addressing concerns about the sector's accountability and governance must be among its first and highest priorities. To ensure that their efforts would be seen as credible rather than self-serving, they set about recruiting a "blue-ribbon panel of eminent Canadians" to take an independent look at the sector and to produce recommendations for strengthening its governance and improving its accountability.

Ed Broadbent, a former federal political leader who had just completed a five-year term heading the International Centre for Human Rights & Democratic Development, agreed to chair the panel. He was joined by Robert Brown, a past chair of the Canadian Institute of Chartered Accountants; Angela Chan, a citizenship court judge from Vancouver; Dale Godsoe, a vice-president at Dalhousie University; Arthur Kroeger, a former federal deputy minister; and Monique Vezina, a social activist and former federal cabinet minister. All served as volunteers and for more than a year they interviewed government officials in Canada and abroad, consulted with volunteers and salaried leaders in the voluntary sector, commissioned and examined research, and debated amongst themselves. Throughout their work, they were assisted by Dr. Susan Phillips and her research team from Carleton University's School of Public Administration.

In May 1998, the Panel on Accountability and Governance (now known most often as "the Broadbent Panel") published a *Discussion Paper* which, to the surprise of many, focused as much on the need for more effective government regulation and support for the voluntary sector as on the internal workings of voluntary organizations. After several more months of study, debate and

consultations, the Panel's final report was released in February 1999. It included 41 recommendations of which six were directed at the voluntary sector, eight to the sector's foundation and corporate funders, one to individual donors, and 26 to federal and provincial governments.

The Panel's most important finding was expressed in the title of its final report: *Building on Strength*. Taken together, its recommendations point the way towards a voluntary sector that would be capable of playing a much larger role in all aspects of Canadian society, from public policy activity and citizen engagement, to service delivery and community-based economic development. It recasts accountability and governance as the foundation for growth and as tools for effective management and stewardship, rather than as problems that must be addressed because of external complaints.

Perhaps most significantly, it challenges the sector, and also the sector's partners in government, to work in a more co-ordinated fashion towards a common goal of improving the quality of life for Canadians. It proposes, for example, stronger umbrella organizations and a negotiated operating agreement between the sector and the federal government. It recommends a regulatory regime that nurtures voluntary organizations as well as policing them.

The Panel's vision is of a voluntary sector that moves from the margins of community, economic and political life to become equal in importance to Canada's public and private sectors. It speaks of enabling charities to generate more of their funds through commercial activities and of easing the restrictions on their political advocacy. It proposes an expanded research effort to enhance our understanding of how voluntary groups contribute to Canada's quality of life and investments to upgrade the skills and calibre of managers in the sector.

The Panel presents an exciting vision that reaches well beyond any narrow or conventional interpretation of accountability and governance. While some may criticize the Panel members for their audacity, I for one thank them for their willingness to think creatively about what Canada's voluntary sector *can* be and for providing a solid blueprint for its future.