

Policy on Transfer Payments

1. Effective date

1.1 This policy takes effect on October 1, 2008.

1.1.1 This version of the policy incorporates updates effective April 1, 2012.

1.2 Transitional considerations

1.2.1 Terms and conditions approved before October 1, 2008, remain in effect until the earlier of their expiry date or the date of a decision for continuation or amendment made under this policy.

1.2.2 A funding agreement entered into before October 1, 2008, remains in effect until its expiry date. However, it may be amended by the department with the concurrence of the recipient to reflect the requirements of this policy.

1.2.3 The new policy requirements under paragraphs 6.5.7, 6.5.8 and 6.5.9 of this policy relating to risk management, the engagement of applicants and recipients, and the establishment of departmental service standards apply to all new and continued transfer payment programs approved after March 31, 2010 with earlier adoption encouraged.

2. Application

This policy applies to departments as defined in section 2 of the [Financial Administration Act](#), unless excluded by specific acts, regulations or Orders in Council.

3. Context

3.1 Transfer payments are monetary payments, or transfers of goods, services or assets to third parties, including Crown corporations, on the basis of an appropriation. Transfer payments do not result in the acquisition by the Government of Canada of any goods, services or assets.

3.2 Transfer payments represent a large part of the Government of Canada's spending. Their tangible results touch the lives of Canadians and others every day, and cover all sectors of society. Transfer payments include grants, contributions and other transfer payments including those made to other orders of government, international organizations and Aboriginal peoples.

3.3 Transfer payments are one of the government's key instruments in furthering its broad policy objectives and priorities. They enable and engage a wide diversity of skills

and resources outside the federal government that are well-placed to further Canadian aims, contribute to building a strong society and a competitive nation that is inclusive and respectful of Canadian values and Canada's linguistic duality.

3.4 Cabinet determines when transfer payment programs are the most appropriate policy instrument. Cabinet also determines the objectives and outcomes to be achieved by means of transfer payments within legislative authorities provided by Parliament.

3.5 Transfer payments are a major commitment of federal government resources. As such, they are subject to periodic spending reviews, such as strategic reviews. These reviews support improved management of the government's resources and their regular alignment with federal priorities and services.

3.6 The government is committed to ensuring that transfer payments are managed in a manner that respects sound stewardship and the highest level of integrity, transparency, and accountability. Moreover, the government is resolved to ensuring that transfer payment programs are designed, delivered and managed in a manner that is fair, accessible and effective for all involved – departments, applicants and recipients – all of whom have important contributions to make in achieving the objectives of the government and in furthering Canadian aims.

3.7 Supporting strengthened accountability for public monies and better results for Canadians, this policy requires that transfer payments be managed in a manner that is sensitive to risks, that strikes an appropriate balance between control and flexibility, and that establishes the right combination of good management practices, streamlined administration and clear requirements for performance.

3.8 This policy sets out clear roles and responsibilities for the Treasury Board, the President of the Treasury Board, the Secretary of the Treasury Board, ministers and deputy heads in the design, delivery and management of transfer payment programs.

3.9 Additional mandatory requirements are set out in directives dealing with grants, contributions and other transfer payments.

3.10 Treasury Board has delegated authority to the President of the Treasury Board to issue, amend or rescind any directive in support of this policy and to approve any exception to the directives as is deemed necessary.

3.11 This policy is issued under subsection 7(1) of the [Financial Administration Act](#).

4. Definitions

Definitions to be used in the interpretation of this policy and supporting directives are in the [Appendix](#).

5. Policy statement

5.1 Objective

The objective of this policy is to ensure that transfer payment programs are managed with integrity, transparency and accountability in a manner that is sensitive to risks; are citizen- and recipient-focused; and are designed and delivered to address government priorities in achieving results for Canadians.

5.2 Expected results

5.2.1 The expected results of this policy are that:

- Roles, responsibilities and accountabilities for the management of transfer payment programs are clearly defined and understood by all departments.
- Transfer payment programs are designed, delivered and managed in a manner that takes account of risk and clearly demonstrates value for money.
- Transfer payment programs are supported by cost-effective oversight and control systems at both departmental and government-wide levels.
- Transfer payment programs are accessible, understandable and useable by applicants and recipients. In particular that:
 - Administrative requirements on applicants and recipients, which are required to ensure effective control, transparency and accountability, are proportionate to the level of risks specific to the program, the materiality of funding, and to the risk profile of applicants and recipients;
 - Applicants and recipients are engaged in support of innovation, continuous improvement and the establishment of fair, transparent and positive relations with them; and
 - Collaboration exists within and among departments to harmonize transfer payment programs and standardize their administration, when appropriate.

6. Policy requirements

6.1 The **Treasury Board of Canada** is responsible for:

6.1.1 Approving the terms and conditions for new transfer payment programs, except when a minister is authorized, including by legislation, to establish those terms and conditions.

6.1.2 Approving amendments of terms and conditions for existing transfer payment programs, except when a minister is authorized under this policy or by legislation, to amend those terms and conditions.

6.1.3 Approving funding agreements in those instances where it is required by Treasury Board or by the directives supporting this policy.

6.1.4 Reviewing the continuation, amendment or termination of transfer payment programs as a result of periodic spending reviews, such as strategic reviews.

6.2 The **President of the Treasury Board of Canada** is responsible for :

Recommending to Treasury Board that a minister has to seek Treasury Board approval for the continuation, amendment or termination of terms and conditions of any existing transfer payment programs.

6.3 **Ministers** are responsible for :

6.3.1 Approving the continuation or termination of terms and conditions.

6.3.2 Approving minor amendments of terms and conditions.

6.3.3 Delegating to the deputy head the approval of minor amendments of terms and conditions, when appropriate.

6.3.4 Approving amendments to the following elements of terms and conditions:

- The eligible activities, initiatives or projects
- The class of eligible recipients
- The maximum amount payable to a recipient
- The stacking limit
- Amendments that give effect to a Cabinet decision or direction

6.3.5 Informing the President of the Treasury Board when taking action under paragraph 6.3.4.

6.3.6 Seeking Treasury Board approval for amendments to the following elements of terms and conditions:

- The program objectives
- The repayment of a repayable contribution
- Up-front multi-year funding

6.3.7 Approving, subject to wording of appropriations, an exception to terms and conditions to provide a transfer payment to an individual recipient of an amount up to 25 per cent in excess of the maximum amount authorized by approved terms and conditions.

6.3.8 Approving, on a case-by-case basis, an exception to terms and conditions that requires a recipient to reimburse a repayable contribution, when the funding provided is less than \$200,000.

6.3.9 Setting the strategic direction for risk tolerance for departmental transfer payment programs.

6.4 The **Secretary of the Treasury Board** is responsible for :

6.4.1 Recommending to the President of the Treasury Board, as a result of consultations under paragraph 6.5.4 of this policy or otherwise, that a minister has to seek Treasury Board approval, by or through the responsible minister, for the continuation, amendment or termination of terms and conditions for a transfer payment program.

6.4.2 Providing leadership and support in promoting and facilitating collaboration among departments for government-wide harmonization of transfer payment programs, the standardization of administrative processes, procedures and requirements, and the sharing of best practices. Leadership is also required for the development of the federal practitioner community involved in the design, delivery and management of transfer payment programs.

6.5 **Deputy heads** are responsible for :

6.5.1 Ensuring that departmental transfer payment programs are, and remain, relevant and effective in meeting departmental and government objectives. The programs are to also be aligned with and support:

- the departmental Management, Resources and Results Structure; and
- results from periodic spending reviews, such as strategic reviews.

6.5.2 Ensuring that a performance measurement strategy is established at the time of program design, and that it is maintained and updated throughout its life cycle, to effectively support an evaluation or review of relevance and effectiveness of each transfer payment program.

6.5.3 Approving minor amendments of terms and conditions when authorized to do so by the minister pursuant to paragraph 6.3.3

6.5.4 Consulting with the Secretary of the Treasury Board when a minister proposes to take action under paragraph 6.3.4.

6.5.5 Ensuring that the results of an evaluation or review of the relevance and effectiveness of each transfer payment program are taken into consideration and that appropriate and timely action is taken and where appropriate, recommend the continuation, amendment or termination of the terms and conditions for these programs.

6.5.6 Ensuring that cost-effective oversight, internal control, performance measurement and reporting systems are in place to support the management of transfer payments.

6.5.7 Ensuring that the administrative requirements on recipients are proportionate to the risk level. In particular, that monitoring, reporting and auditing reflect the risks specific to the program, the value of funding in relation to administrative costs, and the risk profile of the recipient.

6.5.8 Engaging applicants and recipients, when appropriate, to achieve the objective and expected results of this policy through innovative, cost-effective, citizen- and recipient-focused transfer payment programs that are accessible, understandable and useable.

6.5.9 Establishing reasonable and practical departmental service standards for transfer payment programs.

6.5.10 Ensuring, when appropriate, the harmonization of transfer payment programs within the department, and ensuring collaboration with other departments.

6.5.11 Ensuring that opportunities are pursued to standardize the administration of transfer payment processes, procedures and requirements within the department and, to the extent possible, with other departments, to achieve efficiencies in the administration of transfer payment programs for applicants, recipients and the department.

6.5.12 Ensuring public disclosure on the departmental website of any exceptions under paragraphs 6.3.7 and 6.3.8 of this policy that have been approved by the minister within 30 days of the approval date.

6.5.13 Ensuring that transfer payments are not made to a department as defined in section 2 of the [Financial Administration Act](#), nor made to finance the ongoing operating or capital requirements of a federal Crown corporation.

6.5.14 Ensuring, when transfer payment programs support activities that benefit members of both official language communities, that their design and delivery respect the obligations of the Government of Canada as set out in Part VII of the [Official Languages Act](#) and that services and benefits are made available in both official languages in compliance with the Official Languages Act.

6.6 Monitoring and reporting requirements

6.6.1 **Deputy heads** are responsible for:

6.6.1.1 Monitoring compliance with this policy and its supporting directives through periodic audits and other assessments to ensure their effective implementation. Deputy heads are to take corrective action when needed.

6.6.1.2 Establishing a three-year plan that identifies plans for the continuation, amendment or termination of terms and conditions, evaluations or reviews of relevancy and effectiveness to be conducted, and initiatives to engage applicants and recipients. This plan is integrated with the department's Report on Plans and Priorities.

6.6.1.3 Providing other reports as requested by the Secretary of the Treasury Board.

6.6.2 The **Secretary of the Treasury Board** is responsible for:

6.6.2.1 Monitoring departments' compliance with this policy and its supporting directives.

6.6.2.2 Monitoring cross-governmental harmonization of transfer payment programs and standardization of administrative practices.

6.6.2.3 Recommending that corrective action be taken when a department has not complied with the requirements of this policy or its supporting directives.

6.6.2.4 Establishing a framework for the review of this policy and its supporting directives and ensuring that a review is initiated within five years of the effective date of this policy.

7. Consequences

7.1 The deputy head is responsible for investigating and acting when significant issues arise regarding policy compliance. The deputy head is also responsible for ensuring appropriate remedial actions are taken to address these issues.

7.2 If the Secretary of the Treasury Board determines that a department may not have complied with any requirements of this policy or its supporting directives, the Secretary of the Treasury Board may request that the deputy head:

- Conduct an audit or a review to assess whether requirements of this policy or its supporting directives have been met. The cost of such an audit or review will be paid from the department's reference level; and/or
- Take corrective actions and report back on the results achieved.

7.3 Consequences of non-compliance with this policy and its supporting directives, or of failure to take corrective actions requested by the Secretary of the Treasury Board, may include recommending to Treasury Board:

- Removing the authority of the minister to approve new, continuation and/or amendment to terms and conditions, as appropriate.
- Removing the authority of the minister to authorize deputy heads to approve minor amendments to terms and conditions of transfer payment programs, as appropriate.
- Terminating the terms and conditions for the transfer payment program.
- Limiting the spending authority of the department.
- Imposing any other measures determined appropriate in the circumstances.

8. References

8.1 Relevant Acts and Regulations

- [Access to Information Act](#)
- [Auditor General Act](#)
- [Canadian Environmental Assessment Act](#)
- [Conflict of Interest Act](#)
- [Constitution Act, 1982](#)
- [Financial Administration Act](#)
- [Free Trade documents \(NAFTA, WTO, AIT, etc.\)](#)

- [Indian Act](#)
- [Lobbying Act](#)
- [Official Languages Act](#)
- [Privacy Act](#)
- [Government Contracting Regulations](#)
- [Public Servants Disclosure Protection Act](#)

8.2 Treasury Board policies

- [Policy on Evaluation](#)
- [Policy on Government of Canada Communications](#)
- [Policy on Information Management](#)
- [Policy on Internal Audit](#)
- [Policy on Management, Resources and Results Structures](#)
- [Policy on Internal Control](#)

8.3 Other government publications

- [Results for Canadians: A Management Framework for the Government of Canada](#)
- [Gender-Based Analysis \(various information\)](#)
- [Horizontal Results - Treasury Board Secretariat](#)
- [Lobbyists' Code of Conduct](#)
- [Management Accountability Framework](#)
- [Proactive Disclosure](#)
- [Receiver General Directives on the Public Accounts](#)
- [Social Union Framework Agreement](#)
- [Treasury Board Accounting Standard on Transfer Payments](#)
- [Values and Ethics Code for the Public Service](#)
- [Service Standards: a Guide to the Initiative](#)

8.4 Other publications

- [From Red Tape to Clear Results: The Report of the Independent Blue Ribbon Panel on Grants and Contributions Programs](#)
- [Accord Between the Government of Canada and the Voluntary Sector](#)
- [Voluntary Sector Code of Good Practice on Funding](#)
- [Voluntary Sector Code of Good Practice on Policy Dialogue](#)

9. Enquiries

Please direct enquiries about this policy to your departmental headquarters. For interpretation of this policy, departmental headquarters should contact:

Financial Management Policy Division
Financial Management and Analysis Sector
Office of the Comptroller General
Treasury Board of Canada Secretariat
300 Laurier Avenue West
Ottawa ON K1A 0R5
Telephone: 613-957-7233
Facsimile: 613-952-9613

Appendix A: Definitions

For purposes of this policy and its supporting directives, the following definitions apply.

applicant (*demandeur*)

Is an individual or entity that has applied for a transfer payment.

contribution (*contribution*)

Is a transfer payment subject to performance conditions specified in a funding agreement. A contribution is to be accounted for and is subject to audit.

deputy head (*administrateur général*)

Is the deputy minister, the chief executive officer or any other officer having this level of responsibility. However, in respect of a departmental corporation, when the responsibility for making a decision that this policy attributes to the deputy head lawfully remains with its Board of Directors or equivalent body or person, the term "deputy head" is to be read as standing for "Board of Directors or equivalent."

evaluation (*évaluation*)

Is, in the Government of Canada, the systematic collection and analysis of information about the outcomes of programs. The information is used to make judgments about a program's relevance, its results and cost-effectiveness as well as find alternative ways to deliver the program or to achieve the same results. Section 42.1 of the *Financial Administration Act* requires that every department conduct, every five years, a review of the relevance and effectiveness of each ongoing non-statutory program of grants and contributions. This review is a form of evaluation which would be conducted in a manner that would be appropriate for the risk, complexity and materiality of the program.

funding agreement (*entente de financement*)

Is a written agreement or documentation constituting an agreement between the Government of Canada and an applicant or a recipient setting out the obligations or understandings of both with respect to one or more transfer payments.

grant (*subvention*)

Is a transfer payment subject to pre-established eligibility and other entitlement criteria. A grant is not subject to being accounted for by a recipient nor normally subject to audit by the department. The recipient may be required to report on results achieved.

harmonization of transfer payment programs (*harmonisation des programmes de paiements de transfert*)

Is the alignment and/or integration of two or more transfer payment programs that contribute to similar objectives or serve the same recipients.

minister (*ministre*)

Is the highest lawful authority for a department (minister, deputy head or governing body, e.g., Board of Directors) with respect to a decision to be made under the policy. For instance, in the case of a department listed under Schedule I of the [Financial Administration Act](#), the minister is the actual minister, whereas in the case of some departmental corporations (listed under Schedule II, e.g., the Canadian Polar Commission), the minister may be its Board of Directors.

minor amendments (*modifications mineures*)

Are amendments to terms and conditions of a transfer payment program:

- other than amendments to any of the elements listed below:
 - a. The program objectives
 - b. The eligible activities, initiatives or projects
 - c. The class of eligible recipients
 - d. The maximum amount payable to a recipient
 - e. The repayment of a repayable contribution
 - f. The stacking limit
 - g. Up-front multi-year funding
- that are, in respect of any of the elements listed above, of a technical nature made solely for the purpose of correcting errors of wording or adding clarity to such element.

other transfer payment (*autre paiement de transfert*)

Is a transfer payment, other than a grant or contribution, based on legislation or other arrangement, that may be determined by a formula. Examples of other transfer payments are transfers to other orders of government such as Equalization payments as well as Canada Health and Canada Social Transfer payments.

performance measurement strategy (*stratégie de mesure de la performance*)

Is the selection, development and ongoing use of performance measures for program management or decision-making.

program (*programme*)

Is a group of related activities that are designed and managed to meet a specific public need and are often treated as a budgetary unit.

recipient (*bénéficiaire*)

Is an individual or entity that either has been authorized to receive a transfer payment or that has received that transfer payment.

responsible minister (*ministre responsable*)

Is the minister who is required, for the department, to sign submissions to the Treasury Board and Memoranda to Cabinet.

stacking limit (*limite sur le cumul de l'aide*)

Is the maximum level of total Canadian government funding authorized by the terms and conditions for a transfer payment program for any one activity, initiative or project of a recipient.

standardization (*uniformité*)

Is the establishment of common processes, systems or procedures for the management and delivery of transfer payments.

strategic reviews (*examens stratégiques*)

Are comprehensive reviews of government spending designed to ensure that all programs are effective and efficient, are focused on results, provide value for taxpayers' money and are aligned with government priorities. They examine each organization's programs as reflected in its Program Alignment Architecture over a cycle approved by Cabinet. Strategic reviews identify areas where adjustments are needed to improve the performance of programs, which could include approvals to continue, amend or terminate terms and conditions for transfer payment programs, and they identify proposals to reallocate resources from the lowest-priority, lowest-performing programs to other priorities within the organization or to meet other government priorities.

terms and conditions (*modalités*)

Is a document, approved by Treasury Board or a minister, which sets out the parameters under which transfer payments may be made for a given program. In relation to terms and conditions:

continuation (*continuation*)

Means a decision to continue using terms and conditions with or without minor amendment.

amendment (*modification*)

Means a decision to amend or modify terms and conditions.

termination (*résiliation*)

Means a decision to terminate terms and conditions so that no further funding agreements will be entered into for that transfer payment program.

total Canadian government funding (*total de l'aide financière gouvernementale canadienne*)

Is the total funding available to a recipient from federal, provincial, territorial and municipal governments for any one activity, initiative or project of that recipient.

transfer payment (*paiement de transfert*)

Is a monetary payment, or a transfer of goods, services or assets made, on the basis of an appropriation, to a third party, including a Crown corporation, that does not result in the acquisition by the Government of Canada of any goods, services or assets. Transfer payments are categorized as grants, contributions and other transfer payments. Transfer payments do not include investments, loans or loan guarantees.

transfer payment program (*programme de paiements de transfert*)

Is a program or a component of a program supported by transfer payments.

up-front multi-year funding (*financement pluriannuel initial*)

Is funding approved and payable to a recipient to meet expenditures for more than one year when an appropriation for the full amount has been obtained.

value for money (*optimization des ressources*)

Is the extent to which a program demonstrates relevance and performance. Relevance is achieved by addressing a demonstrable need that is appropriate for the federal government and is responsive to the needs of Canadians. Performance is achieved by using taxpayer resources well, producing program outputs in an affordable manner, and achieving outcomes consistent with program objectives.