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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, 2022.

1.2 Transitional considerations:

1.2.1 Terms and conditions of transfer payment programs that have been approved before the effective date of this policy remain in effect until a) their expiry date or b) the date of a decision for continuation or amendment made under this policy, whichever is earlier; and

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

2. Authorities

- 2.1 This policy is issued under subsection 7(1) *Financial Administration Act*.

3. Context

- 3.1 Transfer payments represent a large part of the Government of Canada's spending. The tangible results of transfer payments touch the lives of Canadians and others every day in all sectors of society. Transfer payments include grants, contributions and other transfer payments, including those made to other orders of government, international organizations and Indigenous peoples.
- 3.2 Transfer payments are one of the government's key instruments in furthering its broad policy objectives and priorities. Transfer payments enable and engage a wide diversity of skills and resources outside the federal government.
- 3.3 Transfer payment programs assist eligible recipients in undertaking their activities or projects. These activities and projects help achieve the objectives and outcomes of the transfer payment program and contribute to departmental results.
- 3.4 The government is committed to ensuring that transfer payments are designed, delivered and managed with integrity, accountability and transparency in a recipient-focused manner.
- 3.5 Cabinet determines when transfer payment programs are the most appropriate policy instrument to use. Cabinet also determines the

objectives and outcomes to be achieved by transfer payments, within the legislative authorities provided by Parliament.

- 3.6 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.
- 3.7 Additional mandatory requirements are set out in the directives that deal with grants, contributions and other transfer payments.
- 3.8 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 necessary.

4. Objectives and expected results

- 4.1 The objective of this policy is to ensure that transfer payment programs are designed and delivered to address government priorities in achieving results for Canadians; are managed with integrity, transparency and accountability in a manner that is sensitive to risks; and are citizen- and recipient-focused.
- 4.2 The expected results of this policy are as follows:
 - 4.2.1 Roles, responsibilities and accountabilities for the management of transfer payment programs are clearly defined and understood by all departments;
 - 4.2.2 Transfer payment programs are designed, delivered and managed in a way that achieves outcomes, contributes to

departmental results, takes account of risk and clearly demonstrates value for money;

4.2.3 Transfer payment programs are supported by cost-effective oversight and control systems at both departmental and government-wide levels; and

4.2.4 Transfer payment programs are accessible, understandable and useable by applicants and recipients, including the following:

4.2.4.1 The 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 value of funding and the risk profile of applicants and recipients;

4.2.4.2 Applicants and recipients are engaged in support of innovation, continuous improvement, and the establishment of fair, transparent and positive relations with them; and

4.2.4.3 Collaboration exists within and among departments to harmonize transfer payment programs and standardize their administration, when appropriate.

5. Requirements

5.1 The **Treasury Board** is responsible for the following:

Design

- 5.1.1 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;
- 5.1.2 Approving amendments to 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;
- 5.1.3 Approving funding agreements when required by Treasury Board or by the directives supporting this policy, or when recommended by the President of the Treasury Board;
- 5.1.4 Using periodic spending reviews, such as resource alignment reviews, to review the continuation, amendment or termination of transfer payment programs; and
- 5.1.5 Approving exceptions to terms and conditions, except when a minister is authorized to approve those exceptions under paragraphs 5.3.7 and 5.3.8 of this policy.

- 5.2 The **President of the Treasury Board** is responsible for the following :

Design

- 5.2.1 Recommending to the Treasury Board that a minister has to seek approval from the Treasury Board for the continuation,

amendment or termination of terms and conditions of an existing transfer payment program;

- 5.2.2 Recommending to the Treasury Board that a minister has to seek approval from the Treasury Board for a funding agreement; and
- 5.2.3 Recommending to the Treasury Board that a minister has to seek approval from the Treasury Board for an exception to the terms and conditions of an existing transfer payment program.

5.3 **Ministers** are responsible for the following:

Design

- 5.3.1 Approving the continuation or termination of terms and conditions;
- 5.3.2 Approving minor amendments of terms and conditions;
- 5.3.3 Delegating to the deputy head the approval of minor amendments of terms and conditions, when appropriate;
- 5.3.4 Approving amendments to the following elements of terms and conditions:
 - 5.3.4.1 The eligible activities, initiatives or projects;
 - 5.3.4.2 The class of eligible recipients;
 - 5.3.4.3 The maximum amount payable to a recipient;
 - 5.3.4.4 The stacking limit; and

- 5.3.4.5 Amendments that give effect to a Cabinet decision or direction;
- 5.3.5 Informing the President of the Treasury Board when taking action under paragraph 5.3.4;
- 5.3.6 Seeking approval from the Treasury Board for amendments to the following elements of terms and conditions:
 - 5.3.6.1 The program objectives;
 - 5.3.6.2 The repayment of a repayable contribution; and
 - 5.3.6.3 Up-front multi-year funding;
- 5.3.7 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;
- 5.3.8 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 \$250,000; and
- 5.3.9 Setting the strategic direction for risk tolerance for departmental transfer payment programs.

5.4 **Deputy heads** are responsible for the following:

General

- 5.4.1 Ensuring that transfer payment programs are designed, delivered and managed so they are accessible, understandable and useable by applicants and recipients;
- 5.4.2 Ensuring that transfer payment programs are designed and delivered to be inclusive and gender- and diversity-sensitive and respond to government policy objectives and priorities;
- 5.4.3 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*;
- 5.4.4 Ensuring that departmental processes and procedures are in place to support the design, delivery and management of transfer payments;

Design

- 5.4.5 Ensuring that departmental transfer payment programs are and remain relevant to and effective in meeting departmental results and government objectives;
- 5.4.6 Engaging applicants and recipients, when appropriate, to achieve this policy's objective and expected results through innovative, cost-effective transfer payment programs that are citizen- and recipient-focused;

- 5.4.7 Recommending the continuation, amendment or termination of the terms and conditions of a transfer payment program based on the findings of the following:
 - 5.4.7.1 Relevant evaluations; and/or
 - 5.4.7.2 Relevant resource alignment reviews;
- 5.4.8 Ensuring that each transfer payment program is identified in one or more performance information profiles when the program is designed, and that the program is maintained and updated throughout its life cycle to effectively support the evaluation or review of the relevance and effectiveness of each transfer payment program;
- 5.4.9 Ensuring, when appropriate, the harmonization of transfer payment programs within the department, and ensuring collaboration with other departments;
- 5.4.10 Approving minor amendments to terms and conditions when authorized to do so by the minister pursuant to paragraph 5.3.3;
- 5.4.11 Consulting with the Secretary of the Treasury Board when a minister proposes to take action under paragraph 5.3.4;

Delivery and management

- 5.4.12 Ensuring that the administrative requirements on recipients and recipient reporting, monitoring and auditing in particular, are proportionate to the risks specific to the following:

- 5.4.12.1 The transfer payment program;
- 5.4.12.2 The value of funding in relation to administrative costs; and
- 5.4.12.3 The risk profile of applicants and recipients;
- 5.4.13 Ensuring that opportunities are taken to standardize the administration of transfer payment processes, procedures and requirements within the department and with other departments, when appropriate, in order to improve the administration of transfer payment programs for applicants, recipients and the department;

Transparency

- 5.4.14 Ensuring that any exceptions under paragraphs 5.3.7 and 5.3.8 of this policy that have been approved by the Treasury Board or the minister are posted on the departmental website within 30 days of the approval date;

Monitoring and oversight

- 5.4.15 Ensuring that transfer payments are not made to a department defined in section 2 of the *Financial Administration Act*, nor made to finance the ongoing operating or capital requirements of a federal Crown corporation;
- 5.4.16 Monitoring compliance with this policy and its supporting directives through periodic audits and other assessments to

ensure the effective implementation of this policy and its supporting directives; and

- 5.4.17 Investigating and acting when any issues arise regarding policy compliance and ensuring that appropriate remedial action is taken to address such issues within the department.

- 5.5 The **Secretary of the Treasury Board** is responsible for the following:

Design

- 5.5.1 Recommending to the President of the Treasury Board, as a result of consultations under paragraph 5.4.11 of this policy or otherwise, that a minister has to seek approval from the Treasury Board, by or through the responsible minister, for the continuation, amendment or termination of terms and conditions for a transfer payment program;
- 5.5.2 Recommending to the President of the Treasury Board that a minister has to seek approval from the Treasury Board for a funding agreement;
- 5.5.3 Recommending to the President of the Treasury Board that a minister has to seek approval from the Treasury Board for exceptions to terms and conditions;

Monitoring and oversight

- 5.5.4 Monitoring, providing guidance and recommending corrective actions regarding compliance with this policy and

its supporting instruments;

Leadership

- 5.5.5 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;
- 5.5.6 Providing leadership for the development of the federal practitioner community involved in the design, delivery and management of transfer payment programs; and
- 5.5.7 Establishing a framework for the review of this policy and its supporting directives.

6. Roles of other government organizations

- 6.1 Not applicable.

7. Application

- 7.1 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.

8. Consequences of non-compliance

- 8.1 For an outline of the consequences of non-compliance, refer to the Framework for the Management of Compliance, Appendix C: Consequences for Institutions, and Appendix D: Consequences for Individuals.

9. References

9.1 Legislation

- 9.1.1 Financial Administration Act
- 9.1.2 Official Languages Act
- 9.1.3 Canada Gender Budgeting Act
- 9.1.4 Accessible Canada Act
- 9.1.5 Access to Information Act
- 9.1.6 Privacy Act
- 9.1.7 Conflict of Interest Act
- 9.1.8 Lobbying Act

9.2 Related policy instruments

- 9.2.1 Foundation Framework for Treasury Board Policies
- 9.2.2 Policy on Financial Management
- 9.2.3 Policy on Results

9.2.4 *Policy on Service and Digital*

9.2.5 *Policy on Internal Audit*

9.2.6 *Framework for the Management of Compliance*

9.3 **Other government publications**

9.3.1 *Lobbyists' Code of Conduct*

9.3.2 *Values and Ethics Code for the Public Sector*

9.3.3 *Greening Government Strategy*

10. Enquiries

10.1 Members of the public may contact Treasury Board of Canada Secretariat Public Enquiries regarding any questions about this policy.

10.2 Individuals from departments should contact their chief financial officer or departmental transfer payment centre of expertise regarding any questions about this policy.

10.3 The chief financial officer or individuals from a departmental transfer payment centre of expertise may contact Financial Management Enquiries for interpretation of this policy.

Appendix A: Definitions

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

applicant (*demandeur*)

An individual or entity that has applied for a transfer payment.

contribution (*contribution*)

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*)

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*)

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

funding agreement (*entente de financement*)

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*)

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*)

The alignment and/or integration of two or more transfer payment programs that contribute to similar objectives.

Indigenous people (*peuples Autochtones*)

Has the meaning assigned by the definition aboriginal peoples of Canada in subsection 35(2) of the Constitution Act, 1982.

international organization (*organisme international*)

Is an intergovernmental organization of which two or more states are members.

minister (*ministre*)

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*)

Amendments to terms and conditions of a transfer payment program:

- i. 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
- ii. 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 orders of government (*autres ordres de gouvernement*)

Are Canada's provincial and territorial governments and provincial and territorial government entities.

other transfer payment (*autre paiement de transfert*)

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 or Canada Health and Canada Social Transfer payments.

performance information profile (*profil de l'information sur le rendement*)

The document that identifies the performance information for each "program" from the Program Inventory. See also the definitions in the *Policy on Results*.

program (*programme*)

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*)

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

recipient-focused (*centré sur le bénéficiaire*)

A focus on creating a consistent experience for the recipient of a transfer payment, which includes consulting with potential applicants and recipient

communities, as well as pursuing opportunities to harmonize and standardize transfer payment programs.

responsible minister (*ministre responsable*)

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

resource alignment review (*examen de l'alignement des ressources*)

Cyclical or targeted exercises that consider the alignment with priorities, resources, and results of government programs in support of management excellence, good expenditure prioritization and innovation.

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

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*)

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

terms and conditions (*modalités*)

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

continuation (*continuation*)

A decision to continue using terms and conditions with or without minor amendments.

amendment (*modification*)

A decision to amend or modify terms and conditions.

termination (*résiliation*)

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*)

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*)

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*)

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

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

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*)

The extent to which a transfer payment 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 transfer payment program outputs affordably, and achieving outcomes consistent with transfer payment program objectives.

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