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Directive on Transfer Payments

1. Effective date

1.1 This directive takes effect on October 1, 2008.

1.2 The transitional considerations outlined in section 1.2 of the [Policy on Transfer Payments](#) apply to this directive.

1.3 This version of the directive incorporates updates effective April 1, 2022.

2. Application

2.1 This directive applies to departments that are subject to the [Policy on Transfer Payments](#).

3. Context

3.1 This directive is to be read in conjunction with the [Policy on Transfer Payments](#).

3.2 The directive supports the objectives of the [Policy on Transfer Payments](#) by providing operational requirements for departmental managers who have been assigned responsibilities for the management of transfer payments.

3.3 The directive provides for the tailoring of certain general requirements to reflect relationships with specific categories of recipients. In particular:

- a. The requirements relating to transfer payments to other orders of government in Canada are designed to respect the unique nature of federalism and government-to-government relations, and the jurisdiction and responsibilities of each order of government;
- b. The requirements relating to transfer payments to foreign recipients take into account that these recipients are not subject to Canadian law and may have well-established accountability structures; and
- c. The requirements relating to transfer payments to Indigenous recipients, given the wide range and long-term nature of many programs offered, are designed to promote collaboration among departments and provide for additional funding options.

3.4 The requirements of the directive provide for accountability, transparency and effective control in the management of transfer payments. The requirements also provide flexibility to adapt the administrative requirements on applicants and recipients to the risks involved. The directive allows departments to develop a measured response to risk throughout the management cycle of transfer payments, reflected in the selection of the appropriate transfer payment instruments, in the extent of funding agreement requirements, in cash management practices, in reporting requirements and in the monitoring and auditing of recipients.

3.5 This directive is issued under subsection 7(1) of the *Financial Administration Act*.

3.6 The Treasury Board has delegated authority to the President of the Treasury Board to issue this directive in support of the *Policy on Transfer Payments*, to amend or rescind the directive and to approve any exceptions

to the directive that may be sought.

4. Definitions

Definitions to be used in the interpretation of this directive are in Appendix A.

5. Directive statement

5.1 Objective

The objective of this directive is to achieve effective, risk-based approaches to the design and delivery of transfer payment programs and to ensure accountability and value for money for transfer payments.

5.2 Expected results

The expected results of this directive are that:

- a. Risk-based approaches are adopted to the design of transfer payment programs, the preparation of terms and conditions and funding agreements, and recipient monitoring and auditing;
- b. Harmonization of transfer payment programs is facilitated to the extent possible and administrative processes and procedures for the delivery of transfer payments are standardized within departments and among departments; and
- c. The unique circumstances in making transfer payments to other orders of government, foreign recipients and Indigenous recipients are taken into account.

6. Requirements

Departmental managers who have been assigned responsibilities for the management of transfer payment programs and transfer payments are responsible for:

6.1 Terms and conditions

6.1.1 Assessing and documenting core elements for new or redesigned transfer payment programs before the development of Treasury Board submissions and terms and conditions for transfer payment programs. These core design elements are set out in [Appendix B: Core Design Elements](#).

6.1.2 Ensuring that no transfer payment is made before the terms and conditions for the transfer payment program have been approved. Terms and conditions may not be required if a transfer payment is to be made pursuant to a statute or a statutory instrument, or when the recipient has been named in the Estimates ([Main Estimates](#) | [Supplementary Estimates](#)) or in a statute. Treasury Board Secretariat is to be consulted in advance in all cases when it is proposed to make transfer payments without terms and conditions.

6.1.3 Ensuring that terms and conditions address the elements identified in the appropriate appendix:

- [Appendix D: Terms and Conditions for Grants](#)
- [Appendix E: Terms and Conditions for Contributions](#)
- [Appendix I: Transfer Payments to Other Orders of Government](#)
- [Appendix J: Transfer Payments to Foreign Recipients](#)
- [Appendix K: Transfer Payments to Indigenous Recipients](#)

6.1.4 Ensuring that potential recipients have ready access to information about transfer payment programs and that a description of each program is made public, including application and eligibility requirements and the criteria against which applications will be assessed.

6.2 Determination of funding level

6.2.1 Ensuring that the amount of a proposed grant or contribution is at the minimum level required to further the attainment of the objectives of the transfer payment program and the results expected from the recipient, and that the amount is appropriate taking into account other sources of funding available to the recipient.

6.2.2 Ensuring that the amount of funding provided to a recipient does not cause the stacking limit established in terms and conditions to be exceeded.

6.3 Funding agreements with recipients

6.3.1 Ensuring that a funding agreement is executed with each recipient before the provision of a transfer payment. For grants involving low risks or low materiality the use of application forms and exchanges of correspondence with potential recipients may be sufficient to satisfy this requirement.

6.3.2 Ensuring that the provisions of a funding agreement are consistent with approved terms and conditions.

6.3.3 Ensuring that the elements identified in the appropriate appendix below are addressed when determining the provisions of a funding agreement:

- [Appendix F: Funding Agreement Provisions for Grants](#)

- Appendix G: Funding Agreement Provisions for Contributions
- Appendix H: Funding Agreement Provisions for Up-Front Multi-Year Funding
- Appendix I: Transfer Payments to Other Orders of Government
- Appendix J: Transfer Payments to Foreign Recipients
- Appendix K: Transfer Payments to Indigenous Recipients

6.3.4 Determining whether multi-year agreements are appropriate when the achievement of the objectives of a transfer payment program, or a funding agreement, may involve a relationship with a recipient over a number of years.

6.3.5 Determining whether the use of a single agreement is practical for the department and beneficial to the recipient when a recipient is to receive transfer payments from multiple transfer payment programs.

6.4 Cash management

6.4.1 Ensuring that transfer payments are paid to recipients in a timely, prudent and efficient manner that supports the achievement of objectives and recognizes the risks involved.

6.4.2 Ensuring that a grant in excess of \$250,000 is paid in instalments, unless the full amount is required in a single payment to meet the objectives of the grant.

6.4.3 Ensuring that, where advance payments of a contribution are essential to the achievement of objectives, they are specifically provided for in the funding agreement and are based on the recipient's cash flow requirements.

6.4.4 Ensuring that advance payments in a fiscal year do not to exceed a recipient's estimated cash flow requirements with respect to the federal government's share of eligible expenditures for that fiscal year. However, an advance payment may be made in a fiscal year to cover the federal government's share of expected eligible expenditures to be incurred by the recipient during April of the following fiscal year when a department deems this essential to meet the objectives of the funding agreement.

6.4.5 Obtaining timely accounting from recipients to ensure that advance payments are being spent for authorized purposes and that unexpended balances in the hands of recipients are reasonable having regard to the recipient's cash flow requirements.

6.4.6 Retaining a holdback of a portion of any payment under a funding agreement when this is deemed appropriate based on the risk of non-performance or overpayment.

6.4.7 Ensuring that the total amount of contribution funding paid to a recipient under a funding agreement does not exceed the eligible expenditures actually incurred by the recipient in completing the recipient's initiative or project, or such portion of these expenditures as was to be funded under the agreement.

6.4.8 Ensuring that amounts repayable by or recoverable from recipients are recognized as debts due to the Crown and appropriate action taken for recovery.

6.5 Recipient reporting, monitoring and auditing

6.5.1 Ensuring that the level of monitoring of recipients and the reporting required from recipients, including the degree of certification or audit assurance required from the recipient on any

reports, reflects an assessment of the risks specific to the program, the value of the funding in relation to administrative costs, and the risk profile of the recipients.

6.5.2 Ensuring, through the timely assessment of recipient reports and other monitoring activities deemed necessary, that the recipient of a contribution has complied with the obligations and performance objectives in the funding agreement.

6.5.3 Determining when recipient audits are necessary to complement other departmental monitoring activities, and developing and executing a risk-based plan for these recipient audits, including determining the scope of recipient audits to be undertaken and the standards to be applied.

6.5.4 Selecting an independent auditor to undertake a recipient audit for the department, and communicating to the auditor the scope of the recipient audit to be undertaken, the standards to be followed and the nature of the report to be provided to the department.

6.5.5 Ensuring that proposed recipient audits of a single recipient are coordinated within the department and, to the extent possible, with other departments, and a single recipient audit is organized whenever feasible.

6.6 Up-front multi-year funding

6.6.1 Ensuring that, where a transfer payment is to provide up-front multi-year funding to a named recipient under the authority of an act of Parliament, and terms and conditions are not required, the funding agreement is approved by the Treasury Board before its execution.

6.6.2 Ensuring that, when the amount provided as up-front multi-year funding is \$50 million or more, and is not being provided as endowment funding, the amount is paid as annual payments on the basis of the recipient's cash flow requirements, as established in the funding agreement.

6.6.3 Ensuring that, where a transfer payment program is created with terms and conditions that would specifically permit up-front multi-year funding to a recipient or category of recipients, the maximum amount payable under such terms and conditions to any recipient is limited to \$10 million.

6.7 Transfer payments to other orders of government

6.7.1 Ensuring that arrangements for transfer payments to other orders of government are based on:

- respect for the jurisdiction and responsibilities of each order of government; and
- respect for the accountability mechanisms of each order of government to citizens.

6.7.2 Consulting with the Intergovernmental Affairs Secretariat of the Privy Council Office and the Department of Finance Canada on strategic matters while developing terms and conditions or other accountability mechanisms relating to proposed transfers to other orders of government.

6.7.3 Ensuring that, where Treasury Board approved terms and conditions are not required to support transfer payments to other orders of government, appropriate accountability mechanisms are in place. These are to:

- identify the intended purposes, the expected outcomes, whether leveraging or cost sharing applies, and the responsibilities of the parties involved;
- take into account and, to the greatest extent possible, rely on the accountability regimes of these governments, including audit, evaluation and direct reporting to citizens;
- identify the monitoring and reporting for the transfer payment within the recipient government;
- where direct reporting to the federal government is required, provide for specific audit assurance from the recipient government only where necessary; and
- enable appropriate and timely monitoring and reporting by the federal department on the use of the funds provided and the results achieved.

6.7.4 Ensuring that accountability mechanisms are appropriately limited when transfer payments to other levels of government are to be unconditional.

6.7.5 Ensuring that, where Treasury Board-approved terms and conditions are required for a transfer payment program that permits payments to other orders of government, the terms and conditions address the elements identified in Appendix I: Transfer Payments to Other Orders of Government. Where such a program also provides for transfer payments to other categories of recipients, Appendices D, E or both are to be followed in relation to these other categories of recipients.

6.7.6 Ensuring that funding agreements with other orders of government provide a sufficient commitment or obligation to ensure funds are used for the intended purpose, the achievement of

objectives, and the degree of enforceability deemed appropriate. The elements identified in Appendix I: Transfer Payments to Other Orders of Government are to be addressed when determining the provisions of funding agreements with other orders of government.

6.7.7 Determining the extent to which the requirements of sections 6.2, 6.4 and 6.5 of this directive can be applied in managing transfer payments to other orders of government. If any of the requirements of these sections are not deemed to be appropriate, it is not necessary to seek an exception by the President in compliance with section 3.6 of this directive.

6.8 Transfer payments to foreign recipients

6.8.1 Consulting with the Treasury Board of Canada Secretariat and Foreign Affairs and International Trade Canada in the development of Memoranda to Cabinet, Treasury Board submissions or terms and conditions related to assessed contributions to international organizations.

6.8.2 Determining the extent to which the requirements of sections 6.4 and 6.5 of this directive can be applied in managing transfer payments to foreign recipients. An exception by the President in accordance with section 3.6 of the directive is not required when any of the requirements of sections 6.4 or 6.5 are not deemed to be appropriate. The requirements of sections 6.4 and 6.5 do not apply to an assessed contribution to an international organization and, notwithstanding section 6.3.1 of this directive, an assessed contribution may be paid when due and requested by an international organization without a funding agreement, provided it is in compliance with approved terms and conditions.

6.8.3 Ensuring that the terms and conditions of a transfer payment program under which transfer payments are made to foreign recipients address the appropriate elements identified in Appendix J: Transfer Payments to Foreign Recipients. Where such a program also provides for transfer payments to other categories of recipients, Appendices D, E or both are to be followed in relation to these other categories of recipients.

6.8.4 Ensuring that funding agreements with foreign recipients provide a sufficient commitment or obligation to ensure funds are used for the intended purpose, the achievement of objectives, and the degree of enforceability deemed appropriate. The elements identified in Appendix J: Transfer Payments to Foreign Recipients are to be addressed when determining the provisions of funding agreements with foreign recipients.

6.9 Transfer payments to Indigenous recipients

Departmental managers who have been assigned responsibilities for the management of transfer payments to Indigenous recipients and transfer payment programs that are specifically targeted to Indigenous people are responsible for:

6.9.1 Ensuring that there is focussed and sustained leadership in working toward consistent approaches that are more reflective of the needs of Indigenous people, with emphasis on the following issues:

- the recipient engagement strategy;
- the standardization of administrative processes;
- the coordination of recipient audits;
- the reduction of administrative requirements;

- the use of single funding agreements to cover transfer payments from multiple programs;
- the use of multi-year funding agreements;
- the harmonization of transfer payment programs;

and, when applicable, consulting with the Treasury Board of Canada Secretariat to facilitate collaboration among departments on these issues.

6.9.2 Ensuring that terms and conditions for transfer payment programs for Indigenous people and funding agreements with Indigenous recipients address the elements in Appendix K: Transfer Payments to Indigenous Recipients.

6.9.3 Promoting and supporting the use of the additional contribution funding approaches set out in Appendix K: Transfer Payments to Indigenous Recipients, where deemed appropriate.

6.10 Monitoring and reporting requirements

The monitoring and reporting requirements set out in the Policy on Transfer Payments apply to this directive. Departmental managers are to monitor compliance with the Policy on Transfer Payments and this directive within their areas of responsibility.

7. Consequences

The consequences of non-compliance with this directive are set out in section 8 of the Policy on Transfer Payments.

8. Enquiries

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

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

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

9 Appendices

The following appendices provide definitions of terms used in the Policy on Transfer Payments and in this directive. The appendices also set out design elements and additional mandatory requirements that departmental managers are expected to apply or follow.

- Appendix A: Definitions
- Appendix B: Core Design Elements
- Appendix C: Total Canadian Government Funding and Stacking Limits
- Appendix D: Terms and Conditions for Grants
- Appendix E: Terms and Conditions for Contributions
- Appendix F: Funding Agreement Provisions for Grants
- Appendix G: Funding Agreement Provisions for Contributions
- Appendix H: Funding Agreement Provisions for Up-Front Multi-Year Funding
- Appendix I: Transfer Payments to Other Orders of Government
- Appendix J: Transfer Payments to Foreign Recipients
- Appendix K: Transfer Payments to Indigenous Recipients

Appendix A: Definitions

The following definitions include those in Appendix A of the Policy on Transfer Payments and others specific to this directive.

advance payments (*avances de fonds*)

Are payments, specifically provided for in the funding agreement for a contribution, that are made before the performance obligations of the funding agreement that would justify payment of the contribution have been met. Advance payments of contributions are not accountable advances in the context of section 38 of the Financial Administration Act and the Accountable Advance Regulations.

applicant (*demandeur*)

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

assessed contribution (*quote-part*)

Is a transfer payment to fund Canada's assessed share of the costs of operations of an international organization of which Canada is a member as a result of an act of Parliament, a Cabinet decision, an Order in Council or an international treaty.

block contribution funding (*financement pour une contribution globale*)

Is an option for providing transfer payments to Indigenous recipients where the recipient has met certain assessment criteria and where a number of transfer payment programs that require a five or more year relationship with the recipient to achieve objectives can be funded under a single multi-year funding agreement (see Appendix K: Transfer Payments to Indigenous Recipients).

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”.

endowment funding (*fonds de dotation*)

Is a transfer payment to a recipient where the funding provided is to be invested to produce an ongoing source of income to be used for purposes specified in a funding agreement.

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.

fixed contribution funding (*financement pour une contribution fixe*)

Is an option for providing transfer payments to Indigenous recipients where a contribution can be based on a predetermined annual estimate of the funding required by a recipient to achieve the objectives of a transfer payment program (see Appendix K: Transfer Payments to Indigenous Recipients).

flexible contribution funding (*financement pour une contribution souple*)

Is an option for providing transfer payments to Indigenous recipients where the recipient has met certain assessment criteria and where a transfer payment program that requires a two or more year relationship with a recipient to achieve objectives can be funded under a multi-year funding agreement (see Appendix K: Transfer Payments to Indigenous Recipients).

foreign recipient (*bénéficiaire étranger*)

Is a recipient that is an international organization or a foreign state.

foreign state (*état étranger*)

Is a state other than Canada or a department or agency of such a state.

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.

Indigenous recipient (*bénéficiaire Autochtone*)

Is an Indigenous individual or entity that has received a transfer payment, or has been authorized to receive a transfer payment, under a transfer payment program that is specifically targeted to Indigenous people or has a component specifically targeted to Indigenous people.

instalments (*versements*)

Are partial payments of a grant.

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:

- 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 elements.

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.

progress payments (*paiements proportionnels*)

Are payments due and made under the terms of a contribution funding agreement after the performance of part of the obligations of the contribution agreement.

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.

recipient audit (*vérification du bénéficiaire*)

An independent assessment to provide assurance on a recipient's compliance with a funding agreement. The scope of a recipient audit may address any or all financial and non-financial aspects of the funding agreement.

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.

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*)

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 (*optimisation 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.

Appendix B: Core Design Elements

Departmental managers with responsibility for the design or redesign of a transfer payment program are expected to assess the following elements and document evidence of their consideration.

1. The objectives and expected outcomes, with linkages to the department's Program Alignment Architecture and related strategic outcomes.
2. When applicable, the manner in which the redesign of the transfer payment program addresses the results of an evaluation or review of relevancy and effectiveness.
3. The feasibility of harmonizing (aligning or integrating) the program being created or redesigned, with other transfer payment programs within the department and, to the extent possible, with other departments.
4. Whether a horizontal transfer payment program involving other departments is required and, if so, whether legislative and spending authorities are appropriate and whether umbrella terms and conditions or complementary terms and conditions should be prepared.
5. The identification of eligible recipients or category of recipients, the nature and type of initiatives that will be considered eligible under the transfer payment program, and the method to be used to determine the amount a recipient will be eligible to receive under the transfer payment program.
6. A plan for the engagement of potential recipients and other interested parties, where deemed appropriate.
7. The performance information profile for ongoing performance management of the transfer payment program, including the

performance measures and indicators and the supporting data requirements and data collection strategy.

8. The risks specific to the transfer payment program, the potential risks associated with applicants and recipients, and the measures that will be used to manage these risks.
9. The rationale used in the selection of the appropriate transfer payment instruments taking into account the characteristics of the various instruments relative to the public policy issue to be addressed, the specific program objective or outcome, the level of funding, the type of recipients, and the nature and level of risks. In particular the following should be considered:
 - Grants are appropriate when the amount of funding to be provided can be determined in advance and eligibility criteria and information obtained before payment provide assurance that the grant will be used for the purpose for which it is provided. Grants are not appropriate where funding provided to a recipient is to be further distributed to one or more persons or entities.
 - Contributions are appropriate when the department deems it necessary to monitor progress and results, receive an accounting of the use of funds from the recipient, and have the right to carry out a recipient audit or to request some other type of certification or audit assurance from the recipient.
 - A transfer payment that provides up-front multi-year funding is usually only appropriate where the demonstrated financial stability of the recipient is a necessary condition for the recipient to meet objectives involving the implementation of longer-term plans, undertaking multi-

year commitments or matching leveraged funding from the public and private sectors.

- Endowment funding may be appropriate when there is an intention or requirement to fund a recipient on a long-term basis and the recipient has the capacity to manage invested funds. When endowment funding is appropriate, the selection of the transfer payment instrument to make the payment is important. A grant may be most appropriate where sufficient assurance is available at the time of providing the endowment that the funding will be used for the purposes for which it is provided and where no accounting for the use of the funding is deemed necessary. Where ongoing monitoring and reporting on the use of the funds provided is required, endowment funding should be provided on the same basis as other up-front multi-year funding.

10. The opportunity to use the additional contribution funding approaches for transfer payments to Indigenous recipients, as described in Appendix K: Transfer Payments to Indigenous Recipients.
11. Where the transfer payment program provides for contributions that are wholly or partially repayable, the conditions that determine the amount and timing of repayment.
12. The administrative requirements on applicants and recipients and a strategy to ensure these are no more than is needed to meet the department's control, transparency and accountability requirements.
13. Where contributions are to be used, the basis on which contribution final payments and any progress payments are to be made, which is to be one or a combination of the following:

- achievement of pre-determined performance expectations or milestones;
- reimbursement of eligible expenditures;
- a costing formula; or
- a predetermined annual amount when the fixed and block contribution funding approaches for transfer payments to Indigenous recipients are used. This may also be applicable when the flexible contribution approach for transfer payments to Indigenous recipients is used.

The choice of approach should reflect the risk associated with the transfer payment program and the known capacities of the recipients.

14. The basis for a stacking limit, in accordance with Appendix C: Total Canadian Government Funding and Stacking Limits.
15. The feasibility of standardizing the processes, systems and procedures to be used in delivering the transfer payment program being designed or redesigned with those that support existing transfer payment programs within the department and, to the extent possible, with those of other departments.
16. The feasibility of using applicant and recipient information already available to departments to facilitate access to the transfer payment program and reduce the administrative requirements imposed on recipients, while respecting all federal legislative requirements, including the Privacy Act.
17. The implications for the transfer payment program of obligations undertaken by Canada as a signatory to international multilateral agreements aimed at preventing inappropriate trade barriers, and a demonstration that these obligations have been respected.

18. The sustainable development implications of the transfer payment program.
19. Whether a payment under the proposed transfer payment program would trigger any obligation under the *Canadian Environmental Assessment Act*.
20. Whether there is a need to establish any rights to the use of intellectual property created by recipients through their use of transfer payments and, if so, the basis for establishing such rights.
21. Where goods, services or assets are to be transferred under a transfer payment program, the spending authority for such transfers based on specific vote wording in an appropriation act.
22. The manner in which the obligations of the Government of Canada set out in the *Official Languages Act* are to be taken into account and, where relevant, applied in designing the transfer payment program.

Appendix C: Total Canadian Government Funding and Stacking Limits

1. Departmental managers are responsible for establishing a stacking limit in the terms and conditions for a transfer payment program, setting the maximum permitted level of total Canadian government funding under that program for any one activity, initiative or project of a recipient. A stacking limit is to be expressed either as a percentage of the total eligible expenditures, or as a percentage of total expenditures, of an activity, initiative or project to be funded, whichever is most appropriate for the transfer payment program design.
2. Departmental managers are to take into account the following types of federal, provincial, territorial and municipal funding toward the

same project in calculating total Canadian government funding for any one initiative or project of a recipient:

- all grants and contributions being considered and all other grants and contributions for which the applicant is eligible;
- all new investment in the recipient's business in the form of capital stock or equity from a Crown corporation or government department or agency, in the proportion the new investment bears to the total investment being made;
- implicit subsidies, including low-interest or interest-free loans, based on the difference between the total interest payable and the total interest that would be payable at normal commercial interest rates;
- rebates, including interest cost rebates, triggered by the supported project;
- forgivable loans;
- provisions for potential losses on loan guarantees and loans, where such guarantees or loans are issued by governments, ministers or agencies created for the purpose of administering programs, except when the assistance is provided by a Crown corporation whose principal function is of a banking nature. This provision will be set initially at 5 per cent of the amount guaranteed or such other amount as is based on program experience; and
- investment tax credits to which the applicant would be entitled.

Appendix D: Terms and Conditions for

Grants

Departmental managers responsible for preparing terms and conditions are to ensure that the following mandatory elements are addressed in terms and conditions for a transfer payment program using grants.

1. The specific legal and policy authorities for the transfer payment program and, when applicable, any legislative requirement to seek approval from the Governor in Council through an Order in Council.
2. The purpose and objectives of the transfer payment program with clear linkage to departmental and government objectives, and an identification of expected results with performance measures and indicators for monitoring and reporting.
3. Identification of the recipient or the category of recipients, including eligibility and entitlement criteria.
4. The nature and type of initiatives or projects that are considered eligible.
5. Expenditures that are considered eligible expenditures in determining the amount of a grant. Eligible expenditures may be described either generally as those expenditures necessary to support the purpose of the funding or specifically in terms of the type and nature of expenditures that are to be funded.
6. The stacking limit (see [Appendix C: Total Canadian Government Funding and Stacking Limits](#)).
7. Identification of a formula, or other method, that determines the amount of any grant.
8. The maximum amount payable to any recipient annually or in total, or the maximum payable with respect of any initiative or project, as applicable.

9. A description of the information required in a request for funding from an applicant and the criteria that will be used to assess funding applications.
10. In cases where the program supports activities that may have an impact on members of either official language community:
 - a description, where appropriate, of how the transfer payment program will respect the obligations of the Government of Canada set out in Part VII of the Official Languages Act; and
 - a description, where appropriate, of how the services or benefits will be made available in both official languages in accordance with the Official Languages Act.

Departmental managers are also to ensure that the following elements are addressed where they are relevant:

11. Where any legal or policy authorities establish a time frame, the number of years over which the terms and conditions for the transfer payment program will apply.
12. An indication of whether multi-year or single-year funding agreements will be used.
13. A description of any information that may be requested from a recipient on results achieved through the use of the grant to support the program's performance information profile and departmental reporting.
14. A description of the information that will be requested from recipients to ensure they continue to meet eligibility criteria.
15. The basis for establishing rights to the use of intellectual property created by recipients through their use of grants.

16. Any other condition or requirement that is appropriate for the transfer payment program.

Appendix E: Terms and Conditions for Contributions

Departmental managers responsible for preparing terms and conditions are to ensure that the following mandatory elements are addressed in terms and conditions for a transfer payment program using contributions.

1. The specific legal and policy authorities for the transfer payment program and, where applicable, any legislative requirement to seek approval from the Governor in Council through an Order in Council.
2. The purpose and objectives of the transfer payment program with clear linkage to departmental and government objectives, and an identification of expected results with performance measures and indicators for monitoring and reporting.
3. Identification of the recipient or a definition of the category of eligible recipients.
4. The nature and type of initiatives or projects that are considered eligible.
5. Expenditures that are considered eligible expenditures in determining the amount of a contribution. Eligible expenditures may be described either generally as those expenditures necessary to support the purpose of the funding or specifically in terms of the type and nature of expenditures that are to be funded.
6. The stacking limit (see Appendix C: Total Canadian Government Funding and Stacking Limits).

7. Identification of the method to be used to determine the amount of a contribution.
8. The maximum amount payable to any recipient annually or in total, or the maximum payable with respect of any initiative or project, as applicable.
9. Identification of the basis on which contribution final payments and any progress payments are to be made, which is to be one or a combination of the following:
 - achievement of pre-determined performance expectations or milestones — a description of the performance expectations or milestones is to be provided;
 - reimbursement of eligible expenditures;
 - a costing formula — the nature of the formula is to be described.
10. A description of the information required in a request for funding from an applicant and the criteria that will be used to assess funding applications.
11. A general description of the information that will be requested from recipients in financial and performance reporting, including information on results achieved to support the program's performance information profile and departmental reporting.
12. In cases where the program supports activities that may have an impact on members of either official language community:
 - a description, where appropriate, of how the transfer payment program will respect the obligations of the Government of Canada set out in Part VII of the Official Languages Act; and
 - a description, where appropriate, of how the services or benefits will be made available in both official languages in

accordance with the Official Languages Act.

Departmental managers are also to ensure that the following elements are addressed where they are relevant:

13. Where any legal or policy authorities establish a time frame, the number of years over which the terms and conditions for the transfer payment program will apply.
14. When contributions are to be further distributed by a recipient to one or more persons or entities, a description of the steps to be taken to ensure a recipient has independence in the choice of those persons or entities, with minimal guidance from the department, and will not be acting as an agent of the government in making distributions.
15. Where contributions are to be repayable, conditionally or unconditionally, the factors that determine whether repayment is to be made and the amount of the repayment, the terms of repayment, and a description of the processes to be used to monitor funding agreements and establish when repayments are due. Note that contributions made to for-profit businesses that are intended to allow the businesses to generate profits or increase the value of the businesses are to be repayable, except that non-repayable contributions are permitted for such purposes when one or more of the following apply:
 - the contribution is less than \$100,000, and the administrative burden of repayable contributions is not justified;
 - the benefits from the contribution accrue broadly rather than to the recipient;

- the primary aim is income support and income stabilization for individuals;
- the recipient is a Canadian business under the terms of the *Defence Production Sharing Agreement* and the *Defence Development Sharing Agreement* and governments are the sole financing bodies;
- the contribution is made with the primary aim of furthering basic research and development, including a payment made through a granting council or other government entity whose mandate is to promote research and development;
- the recipient is an Indigenous-controlled business whose articles of incorporation do not permit dividends to be paid or distributed to shareholders; and
- the contribution is in support of a project funded under an international agreement that is restrictive for recoveries.

16. The basis for establishing rights to the use of intellectual property created by recipients through their use of contributions.
17. Where contributions under the transfer payment program will be used to provide up-front multi-year funding to a recipient or category of recipients, an explicit statement that up-front multi-year funding payable to any recipient will not exceed \$10 million.
18. The opportunity to use the additional fixed, flexible and block contribution funding approaches for transfer payments to Indigenous recipients, as described in Appendix K: Transfer Payments to Indigenous Recipients.
19. Any other condition or requirement that is appropriate to the transfer payment program.

Appendix F: Funding Agreement Provisions for Grants

Departmental managers responsible for preparing funding agreements are to ensure that the following elements are addressed in a funding agreement for a grant in a manner that balances the department's accountability and control requirements with the level of risk specific to the transfer payment program, the value of the funding, and the risk profile of the recipient.

1. Identification of the parties.
2. The effective date and duration of the funding agreement.
3. A description of the purpose of the grant and a sufficient definition of the activities, project or initiative being funded.
4. The amount payable and, where relevant, the amount payable each year under a multi-year funding agreement.
5. The basis and timing for instalment payments.
6. A requirement that any payment under the funding agreement is subject to there being an appropriation by Parliament for the fiscal year in which the payment is to be made and, where appropriate, a provision for termination or reduction of the funding in the event that the amount of the appropriation is reduced or denied by Parliament.
7. Provisions for termination or reduction of the funding if the recipient no longer meets eligibility requirements or if the recipient has made misrepresentations regarding eligibility or any other matter on which the grant is based. The provisions are to include an obligation on the part of the recipient to inform the department in writing when he or she no longer meets the eligibility requirements and are to provide

that the department has access to records to verify his or her eligibility or continued eligibility.

8. An indemnification clause for the benefit of the Crown.
9. A clause to limit the liability of the Crown where the recipient is entering into a loan, a capital lease or other long-term obligation in relation to the project for which the grant is provided.
10. Provisions stating that no principal-agent, employer-employee, partnership or joint venture relationship is created by virtue of the funding agreement and that the recipient will not represent itself as an agent, employee or partner or of the Crown, including in any agreement with a third party.
11. A provision that no current or former public servant or public office holder to whom the Conflict of Interest Act, the *Conflict of Interest and Post-Employment Code for Public Office Holders* or the Values and Ethics Code for the Public Sector applies shall derive direct benefit from the funding agreement unless the provision or receipt of such benefits is in compliance with such legislation and codes; and that no member of the Senate or the House of Commons shall be admitted to any share or part of the agreement, or to any benefit arising from it, that is not otherwise available to the general public.
12. A declaration that the recipient and any person lobbying on behalf of the recipient to obtain funding is in compliance with the Lobbying Act.
13. A provision for adequate recognition of the federal funding, with an option for the minister to withdraw the requirement for recognition of the federal funding when the minister deems appropriate.
14. Notification to the recipient that his or her name, the amount awarded, and the general nature of the activities supported may be made publicly available by the Government of Canada.

Departmental managers are also to ensure that the following elements are addressed where they are relevant:

15. Provisions for the recipient to make records and information available to the Auditor General of Canada when requested by the Auditor General for the purposes of an inquiry under subsection 7.1(1) of the Auditor General Act.
16. In cases where the terms and conditions have identified that the transfer payment program may have an impact on members of either official language community:
 - a provision, where appropriate, outlining the manner in which the recipient's activities will support the Government of Canada's obligation to enhance the vitality of the official language minorities in Canada and support and assist their development and foster the full recognition and use of both English and French in Canadian society; and
 - a description, where appropriate, of how the services or benefits will be made available in both official languages in accordance with the Official Languages Act.
17. A description of the information that may be requested from a recipient to demonstrate continuous eligibility over the period of the grant.
18. Any reporting requirements relating to the grant, including any requirement for the recipient to retain records.
19. Provisions for termination or reduction of funding, with appropriate advance notice, in the event terms and conditions are amended or terminated or under any other circumstance deemed appropriate.
20. Provisions for termination of the funding agreement, and other remedies and procedures, if the recipient is not in compliance with

the funding agreement.

21. A provision for an appropriate dispute resolution mechanism.
22. A requirement for the recipient to declare any amounts owing to the federal government under legislation or funding agreements and recognition that amounts payable to the recipient may be set off against amounts owing by the recipient to the government.
23. A clause that stipulates that the recipient retains ownership of any intellectual property created by the recipient in carrying out the funded initiative; and, where the terms and conditions of the transfer payment program establishes a basis for the right of Canada to the use intellectual property, a provision establishing the Crown's rights.
24. A provision that reflects any obligation of the government or the recipient with respect to the *Canadian Environmental Assessment Act*.
25. A provision that reflects the obligations of the parties with respect to privacy and personal information.
26. Any other condition or requirement that is appropriate or is required to address specific risks with respect to the transfer payment.

Appendix G: Funding Agreement Provisions for Contributions

Departmental managers responsible for preparing funding agreements are to ensure that the following elements are addressed in a funding agreement for a contribution in a manner that balances the department's accountability and control requirements with the level of risk specific to the transfer payment program, the value of the funding, and the risk profile of the recipient.

1. Identification of the parties.
2. The effective date and duration of the funding agreement.

3. A description of the purpose of the contribution and the activities, project or initiative being funded, and the results to be achieved by the recipient. The results expected should be those that are within the reasonable control of the recipient and should be stated at a level of detail that will support accountability and performance measurement.
4. The type and nature of expenditures that are considered eligible.
5. The maximum amount payable.
6. Any limits on the amounts payable for particular categories of eligible costs, and the flexibility for recipients to redirect funding among cost categories.
7. The basis on which contribution payments are to be made (reimbursement of eligible expenditures, predetermined performance milestones or a costing formula) and the conditions to be met before any payment is made.
8. Whether advance payments are to be made and the means of ensuring that advance payments are based on the recipient's cash flow requirements with respect to the federal government's share of eligible expenditures in each fiscal year covered by the funding agreement.
9. The documentation required, and any type of certification or audit assurance that is required from the recipient with respect to such documentation, to:
 - account for the use of the funding and provide adequate support for contribution payments;
 - demonstrate whether the obligations and objectives set out in the funding agreement are met; and
 - support the department's accountability and performance measurement requirements.

10. A requirement for the recipient to retain records relating to the funding.
11. The conditions attached to the contribution and the consequences of failing to adhere to these conditions.
12. A requirement that any payment under the funding agreement is subject to there being an appropriation by Parliament for the fiscal year in which the payment is to be made and, where appropriate, a provision for termination or reduction of the funding in the event that the amount of the appropriation is reduced or denied by Parliament.
13. The minister's right to undertake a recipient audit to determine whether the recipient has complied with the funding agreement.
14. The minister's right of access to the recipient's documents and premises for the purpose of conducting an audit or monitoring compliance with the funding agreement.
15. Provisions for termination of the funding agreement, and other remedies and procedures, if the recipient has committed an act of default under the terms of the funding agreement.
16. An indemnification clause for the benefit of the Crown.
17. A clause to limit the liability of the Crown where the recipient is entering into a loan, a capital lease or other long-term obligation in relation to the project for which the contribution is provided.
18. Provisions stating that no principal-agent, employer-employee, partnership or joint venture relationship is created by virtue of the funding agreement and that the recipient will not represent itself as an agent, employee or partner of the Crown, including in any agreement with a third party.
19. Provisions for the recipient to repay overpayments, unexpended funding and disallowed expenses. This should include a declaration

that such amounts constitute debts due the Crown and that interest is to be charged on overdue repayments in accordance with the *Interest and Administrative Charges Regulations*. The provisions should address how due dates for such repayments are to be established. Note that reasonable unexpended balances of advance payments made under the terms of a funding agreement and held by a recipient at the end of any fiscal year within the term of a multi-year funding agreement are not to be considered as repayable at that time.

20. A provision that no current or former public servant or public office holder to whom the *Conflict of Interest Act*, the *Conflict of Interest and Post-Employment Code for Public Office Holders* or the *Values and Ethics Code for the Public Sector* applies shall derive direct benefit from the funding agreement unless the provision or receipt of such benefits is in compliance with such legislation and codes; and that no member of the Senate or the House of Commons shall be admitted to any share or part of the agreement, or to any benefit arising from it, that is not otherwise available to the general public.
21. A declaration that the recipient and any person lobbying on behalf of the recipient to obtain funding is in compliance with the *Lobbying Act*.
22. A provision for adequate recognition of the federal funding with an option for the minister to withdraw the requirement for recognition of the federal funding when the minister deems appropriate.
23. Notification to the recipient that his or her name, the amount awarded and the general nature of the activities supported may be made publicly available by the Government of Canada.

In situations where a contribution is repayable, departmental managers are to ensure that the funding agreement also

addresses:

24. The timing of repayments.
25. The application of interest charges on overdue repayments.
26. Where the repayment of a contribution, in whole or in part, is conditional, the conditions that determine whether repayment is to be made and the amount to be repaid.

In situations where a recipient is to further distribute a contribution to one or more persons or entities, departmental managers are to ensure that the funding agreement also addresses:

27. A description of the accountability and management framework to be implemented by the recipient with respect to persons or entities applying for or receiving distributed payments.
28. Provisions for access by the department to the recipient's operating plans, including annual performance expectations, with respect to the contribution funding.
29. Requirements for a clear, transparent and open decision-making process regarding the selection of persons or entities to receive distributed payments and the selection and approval of initiatives to be funded, and a description of the recipient's responsibilities in this process.
30. The terms of written agreements between the recipient and persons or entities to receive distributed payments, which might address the following:
 - the responsibilities agreed between the parties, including financial roles and responsibilities;

- provisions, as deemed appropriate, for oversight, reviews and audits to be conducted by the recipient and the right of the recipient to provide copies of any review, evaluation or audit reports to the department;
- provisions, as deemed appropriate, for departmental access to the documents and premises of persons or entities that received distributed payments, for the purpose of monitoring compliance with the funding agreement; and
- provisions for the recipient to make known the federal government's role in the funding provided to persons or entities that receive distributed payments.

31. A description of the redress provisions regarding decisions of the recipient relating to persons or entities that applied for or received distributed payments.
32. Provisions for the department to receive reports of reviews or audits carried out by, or on behalf of, the recipient related to the use of the funding.
33. Provisions for departmental access to all signed agreements with persons or entities that received distributed payments.
34. Provisions relating to any limit on admissible administrative costs that may be incurred by the recipient and paid from contribution funding.

Departmental managers are to ensure that the funding agreement also addresses the following elements where they are relevant:

35. The additional elements set out in Appendix K: Transfer Payments to Indigenous Recipients when a fixed, flexible or block contribution is

to be used for a transfer payment to an Indigenous recipient.

36. Provisions for the recipient to make records and information available to the Auditor General of Canada when requested by the Auditor General for the purposes of an inquiry under subsection 7.1(1) of the Auditor General Act.
37. In cases where the terms and conditions have identified that the transfer payment program may have an impact on members of either official language community:
- a provision, where appropriate, outlining the manner in which the recipient's activities will support the Government of Canada's obligation to enhance the vitality of the official language minorities in Canada and support and assist their development and foster the full recognition and use of both English and French in Canadian society; and
 - a description, where appropriate, of how the services or benefits will be made available in both official languages in accordance with the Official Languages Act.
38. Provisions dealing with any holdback on payments when the department has determined that holdbacks are appropriate based on an assessment of risk.
39. When a contribution is in excess of \$100,000:
- a requirement for the recipient to provide a statement, upon the completion of the funded initiative, of the total funding provided from all sources for the initiative, including total Canadian government funding received for the initiative; and
 - the basis for calculation of any repayment of funding where the stacking limit has been exceeded or where funding

provided from other sources exceeded the amount anticipated at the time the contribution payment was made.

40. A provision for an appropriate dispute resolution mechanism.
41. Provisions for termination or reduction of the funding, with appropriate advance notice, in the event terms and conditions are amended or terminated or under any other circumstance deemed appropriate.
42. Any conditions related to the disposition of capital assets acquired by the recipient with the funding provided, including, where appropriate, a provision requiring the recipient to inform the department in advance of the disposition.
43. A requirement for the recipient to declare any amounts owing to the federal government under legislation or funding agreements and recognition that amounts payable to the recipient may be set off against amounts owing by the recipient to the government.
44. A clause that stipulates that the recipient retains ownership of any intellectual property created by the recipient in carrying out the funded initiative; and, where the terms and conditions of the transfer payment program establishes a basis for the right of Canada to the use intellectual property, a provision establishing the Crown's rights.
45. A waiver of any confidentiality rights to the extent such rights would impede the Crown from fulfilling its subsidy notification obligations to the World Trade Organization under Article 25 of the *Agreement on Subsidies and Countervailing Measures*.
46. A provision that reflects any obligation of the government or the recipient with respect to the *Canadian Environmental Assessment Act*.
47. A provision that reflects the obligations of the parties with respect to privacy and personal information.

48. Any other condition or requirement that is appropriate or is required to address specific risks with respect to the transfer payment.

Appendix H: Funding Agreement Provisions for Up-Front Multi-Year Funding

Departmental managers responsible for preparing funding agreements where up-front multi-year funding is provided are to ensure that the following elements are addressed in the funding agreement.

1. Identification of the parties.
2. A description of the purpose of the funding and the results to be achieved by the recipient. Expected results should be those within the reasonable control of the recipient and stated at a level of detail that will support accountability and performance measurement.
3. The effective date and duration of the funding agreement. The duration of the funding agreement is to be sufficient to allow the minister to exercise oversight and meet ministerial accountability requirements throughout the period over which results are to be achieved.
4. The amount payable under the funding agreement.
5. When funding is to be provided in a series of annual payments, provisions that indicate that payments shall be disbursed by the minister, on demand, in accordance with the cash flow requirements identified by the recipient, and that address the form and frequency of cash flow projections to be provided by the recipient to the minister.
6. A requirement that any payment under the funding agreement is subject to there being an appropriation by Parliament for the full

amount and to any specific conditions arising from the legislation authorizing payment of the funding.

7. A description of the eligibility and entitlement criteria for further distribution of the funding, when appropriate.
8. Provisions that require the recipient to:
 - prepare and submit to the minister an annual summary corporate plan at least two months before the recipient's financial year begins. The annual summary corporate plan would include planned expenditures, objectives and performance expectations related to the funding;
 - prepare annual financial statements and have the financial statements audited annually by a public accountant licensed to perform audits and issue written opinions on financial statements;
 - submit to the minister, within four months of the recipient's financial year-end, relevant performance results with respect to the annual corporate plan and an annual report including audited financial statements;
 - make its annual report and audited financial statements available to the public;
 - undertake independent evaluations, using recognized evaluation standards, of the achievement of the objectives of the funding agreement periodically but no less frequently than once every five years;
 - undertake performance and compliance audits relating to the use of the up-front multi-year funding, as considered necessary; and
 - provide copies of audit and evaluation reports to the responsible minister in a timely manner.

9. A provision for adequate recognition of the federal funding with an option for the minister to withdraw the requirement for recognition of the federal funding when the minister deems appropriate.
10. A provision that sets out requirements for the prudent management and investment of unspent funding. When the funding agreement is to require that an investment plan is to be approved by, or on behalf of, a minister, the timing for the approval of such plan and the consequences of the minister's refusal to approve should be identified.
11. Where appropriate, a provision establishing acceptable limits on the amount of funding that can be used to cover overhead and administrative expenses.
12. A requirement that the recipient has or develops conflict of interest and code of conduct policies.
13. A provision for the recipient to provide public access to information relating to the use of funding to the greatest extent possible.
14. A provision that reflects the obligations of the parties with respect to privacy and personal information.
15. Provisions regarding the right of the responsible minister to:
 - undertake evaluations and recipient audits as deemed necessary; and
 - table in Parliament, at the minister's discretion, a summary of the recipient's annual summary corporate plan as it relates to the funding agreement, the recipient's annual report and the results of audits and evaluations undertaken by the recipient or the minister.
16. Provisions for the recipient to make records and information available to the Auditor General of Canada when requested by the

Auditor General for the purposes of an inquiry under subsection 7.1(1) of the *Auditor General Act*.

17. If the funding agreement enables the government or the responsible minister to appoint members to sit on the board of directors of the recipient organization, or on any advisory body, provisions that establish the number of such appointees and the manner and term of their appointment. The number of government or ministerial appointees should not be such that these appointees control the board in any manner.
18. A provision that members of the Senate and the House of Commons are not and will not be appointed as directors on the board of the recipient organization.
19. A provision that indicates that the Government of Canada may be required to include the organization's financial affairs and resources in the government's financial statements. For the purpose of keeping the accounts of Canada and the preparation of the Public Accounts of Canada, the provision should indicate that the minister may, from time to time, send a notice to the recipient requesting such records, accounts or statements, or other information as is specified in the notice and that the recipient shall, within such reasonable time as is specified in the notice, provide the minister with the information requested.
20. A provision for intervention in the event the responsible minister considers there have been significant deviations from the terms of the funding agreement.
21. A provision for a dispute resolution mechanism.
22. Appropriate provisions on wind-up or dissolution of the recipient organization including, as one of the responsible minister's options, the minister's right to require the recipient to liquidate its assets and

repay to the Government of Canada such amount as determined under the terms of the funding agreement.

23. In cases where the transfer payment may have an impact on members of either official language community:
- a provision, where appropriate, outlining the manner in which the recipient's activities will support the Government of Canada's obligation to enhance the vitality of the official language minorities in Canada and support and assist their development and foster the full recognition and use of both English and French in Canadian society; and
 - a description, where appropriate, of how the services or benefits will be made available in both official languages in accordance with the Official Languages Act.
24. A provision that reflects any obligation of the government or the recipient with respect to the *Canadian Environmental Assessment Act*.
25. Any other condition or requirement that is appropriate to the transfer payment.

Departmental managers are to ensure that where up-front multi-year funding is provided by way of an endowment, other than an endowment provided by way of a grant, the following requirements are also addressed in the funding agreement.

26. A provision that:
- recognizes that endowment funding is not to be provided as endowment funding in perpetuity; and
 - requires a review of the restrictions on the use of the endowment funding within a period of 20 years and a determination by the minister if such restrictions are to

continue, be removed or, with the agreement of the recipient, amended. Where the minister decides that the restrictions should be continued for a further period, a date for a future review should be established.

27. Provisions to specify whether income from investment of the endowment funding is to be used first to maintain the capital amount of the endowment funding in the event of realized or unrealized investment losses.

Appendix I: Transfer Payments to Other Orders of Government

Where terms and conditions are required for a transfer payment program that permits payments to other orders of government:

Part 1: Departmental managers responsible for preparing terms and conditions are to ensure that the following mandatory elements are addressed in the terms and conditions for the transfer payment program.

1. A description of the transfer payment program, including the purpose, objectives and how transfer payments will be used to further departmental and government objectives.
2. Identification of eligible recipients and, where applicable, the ultimate beneficiaries.
3. Where applicable, an identification of the type and nature of expenditures considered as eligible expenditures under the transfer payment program, and any applicable leveraging or cost sharing.
4. Identification of a formula, or other method, that determines the amount of payments to recipients.

5. The maximum amount payable to any recipient, or the maximum payable with respect of any initiative or project, as applicable.
6. The method for establishing payment frequency.
7. A description of the monitoring and reporting mechanisms, and the measures required to ensure program objectives are being achieved and that funds are being spent as intended.
8. A description of how the federal department will ensure that obligations set out in Part VII Official Languages Act will be taken into account and, where relevant, applied.
9. Any other elements of Appendices D or E that are appropriate in the circumstances.

Part 2: Departmental managers responsible for preparing funding agreements are to ensure that, as a minimum, the following elements are addressed in funding agreements with other orders of government.

1. Identification of the parties.
2. The effective date and the duration of the funding agreement.
3. A description of the purpose of the transfer payments, eligible expenditures where relevant, any applicable leveraging or cost sharing, and the expected results.
4. A description of performance reporting and accountability measures.
5. The maximum amount payable to the recipient and the timing and frequency of payments.
6. A provision that specifies that reports on evaluations, audits and other reviews related to the funding agreement may be made available to the public.
7. A provision that provides for timely reporting of expenditures incurred by the recipient when the agreement involves reimbursement of eligible expenditures by the Government of

Canada so that Canada's obligations can be recorded and charges made to appropriations in the appropriate fiscal year, regardless of the timing of reimbursement payments.

8. Any other elements of Appendices E or G that are appropriate in the circumstances.

Appendix J: Transfer Payments to Foreign Recipients

Part 1: Assessed contributions to international organizations

Terms and conditions

Departmental managers responsible for preparing terms and conditions are to ensure that the following mandatory elements are addressed in terms and conditions for transfer payment programs that authorize assessed contributions to international organizations.

1. A description of the international organization to which the transfer payment is made.
2. The authority under which the payment is to be made.
3. The objectives of membership in the international organization, with clear linkages to how membership supports departmental and government objectives.
4. A description of the organization's costs covered by the assessed contribution.
5. The current assessment and assessment rate for Canada's contribution, in Canadian dollars and the applicable foreign currency; and a commitment by the department to

document future variations in the amount payable (changes in the assessment and foreign exchange rates).

6. The timing and basis of payments.
7. A description of how and when the ongoing relevancy and effectiveness of Canada's membership in the international organization is to be assessed.
8. A description of how the department will promote effective management of the international organization, such as the development of effective and efficient audit, evaluation and budget-setting practices.
9. A description of how the department will inform the public about the results obtained from Canada's membership in the international organization.
10. The start and termination date of terms and conditions, when relevant.

Part 2: Transfer payments, other than assessed contributions, to foreign recipients

A) Terms and conditions

Departmental managers responsible for preparing terms and conditions are to ensure that the following mandatory elements are addressed in terms and conditions for transfer payment programs that permit transfer payments, other than assessed contributions, to foreign recipients.

For programs that permit either grants or contributions:

1. The purpose and objectives of the transfer payment program, an identification of expected results and clear linkage to departmental and government objectives.

2. The specific legal and policy authorities for the transfer payment program.
3. A description of the categories of foreign recipients to which the transfer payment program applies.
4. Whether the transfer payments are to be grants or contributions.
5. The nature and type of initiatives or projects that will be considered eligible.
6. The means for determining how much each foreign recipient may receive.
7. The maximum amount payable to any foreign recipient annually or in total.
8. A description of the information that foreign recipients will be asked to provide, including information on results achieved to support the program's performance information profile and departmental reporting.

For programs that permit contributions, departmental managers are to ensure that the following elements are also addressed:

9. Identification of the basis on which contribution progress payments and final payments are to be made, which will include one or a combination of the following:
 - achievement of pre-determined performance expectations or milestones;
 - reimbursement of eligible expenditures; or
 - a costing formula.

Departmental managers are also to ensure that the following elements are addressed where they are relevant:

10. The number of years over which the terms and conditions for the transfer payment program will apply.
11. An indication of whether multi-year or annual funding agreements will be used.
12. Any other elements of Appendices D or E that are appropriate.

B) Funding agreement

Departmental managers responsible for preparing funding agreements are to ensure that the following elements are addressed in a funding agreement with a foreign recipient.

1. Identification of the parties or participants.
2. A description of the purpose of the transfer payment and the results to be achieved by the foreign recipient. The results expected should be those within the reasonable control of the foreign recipient and should be stated at a level of detail that will support accountability and performance measurement.
3. The effective date and duration of the funding agreement.
4. The amount payable or the maximum amount payable, as appropriate.
5. Whether advance payments or instalment payments are to be made and the amounts and timing of these payments.
6. A requirement that any payment under the funding agreement is subject to there being an appropriation by

Parliament for the fiscal year in which the payment is to be made.

7. Provisions for termination or reduction of the funding in the event that the amount of the appropriation for making the transfer payment is reduced or denied by Parliament.
8. Provisions for termination of the funding agreement, and other procedures, if the foreign recipient is not in compliance with the agreement or arrangement.

Departmental managers are also to ensure that the following elements are addressed in a funding agreement for a contribution to a foreign recipient:

9. The basis on which contribution payments are to be made - reimbursement of eligible expenditures, predetermined performance milestones or a costing formula.
10. Provisions for accounting for the contribution and provisions for regular reports on the progress of the project.
11. Provision for the foreign recipient to return overpayments, unexpended funding and disallowed expenses. The provisions should establish the due date for such returns.

Departmental managers are to ensure that the funding agreement also addresses the following elements where they are relevant:

12. Provisions outlining the foreign recipient's responsibilities to make services or benefits available in both of Canada's official languages.

13. Provisions for termination or reduction of the funding, with appropriate advance notice, in the event terms and conditions are amended or terminated or under any other circumstance deemed appropriate.
14. Provisions for the parties or participants to jointly agree on conditions for the issuance of public announcements of the funding agreement.
15. Provisions dealing with any holdback on contribution payments when the department has determined that holdbacks are appropriate, based on an assessment of risk.
16. Provisions for the foreign recipients to provide appropriate information for the purpose of conducting an audit or monitoring compliance with the funding agreement.
17. Provisions to request a foreign recipient to conduct an audit and provide the results to the department.
18. Any reporting requirements relating to a grant, including any requirement for the foreign recipient to maintain records.
19. Any other elements of Appendices F or G that are appropriate.

Appendix K: Transfer Payments to Indigenous Recipients

Part 1: Additional contribution funding approaches for transfer payments to Indigenous recipients

Departmental managers are to consider using one of the three additional contribution funding approaches — fixed, flexible or block contribution funding — for transfer payments to

Indigenous recipients in the following circumstances:

1. Fixed contribution funding should be considered when:

- the amount of the contribution can be based on a reliable estimate of the funding required by a recipient to achieve the objectives of a transfer payment program; and
- the recipient retains any unexpended funding remaining at the expiry of the funding agreement provided that the obligations and objectives set out in the funding agreement are met and the recipient agrees to use the unexpended funding for purposes consistent with the program objectives or any other purpose agreed to by the department.

2. Flexible contribution funding should be considered when:

- the achievement of the objectives of the transfer payment program is expected to require a two or more year relationship with the recipient and a commensurate multi-year funding agreement is appropriate;
- the program objectives can be better achieved by providing the recipient with flexibility to redirect funding among the cost categories established in the agreement; and
- the stability of the relationship with the recipient is reflected and strengthened by allowing the recipient, during the period of the funding agreement, to retain unexpended funding remaining at the end of each fiscal year

for use in the next fiscal year to further achieve results toward the program objectives. Any unexpended funding remaining at the expiry of the funding agreement constitutes a debt due to the Crown.

3. Block contribution funding should be considered when:

- the recipient is to receive funding for a number of transfer payments programs that are expected to require a five or more year relationship with the recipient to achieve program objectives;
- a single multi-year funding agreement commensurate with the achievement of multi-program objectives is appropriate to cover funding for all of the transfer payment programs in the block;
- the various program objectives and the recipient's priorities can be better achieved by providing the recipient the flexibility to adjust the relative priority of programs in the block and to redirect funding among the programs to address changing circumstances and the recipient's evolving priorities, provided progress toward the program objectives is being achieved;
- the funding for the programs in the block can be determined on an annual basis;
- the stability of the relationship with the recipient is reflected and strengthened by

allowing the recipient to retain unexpended funding remaining at the expiry of the funding agreement, provided that the obligations and objectives set out in the funding agreement are met and the recipient agrees to use the unexpended funding for purposes consistent with the multi-program objectives or any other purpose reflecting the priorities of the recipient and agreed to by the departments; and

- annual reporting on costs incurred and results achieved is sufficient.

4. Flexible and block contribution funding are only to be used for transfer payments to Indigenous recipients when the recipient has the demonstrated capacity to manage transfer payments. In assessing this, departmental managers are to take into account the recipient's:

- governance structure;
- organization for purposes of program management, financial and administrative experience, and capacity to deliver programs;
- processes and procedures for program management and financial control;
- accountability mechanisms for transparency, disclosure, responsibility and redress; and
- financial position.

Part 2: Terms and conditions for transfer payment programs for Indigenous people

Departmental managers responsible for preparing terms and conditions are to ensure that the following mandatory elements are addressed in terms and conditions that permit transfer payments to Indigenous recipients.

Grants

1. The elements identified in Appendix D: Terms and Conditions for Grants.

Contributions

1. The elements identified in Appendix E: Terms and Conditions for Contributions and the following elements, when appropriate:
 - whether the contribution payments are to be based on a predetermined amount, as an alternative to or in addition to the basis set out in section 9 of Appendix E: Terms and Conditions for Contributions;
 - whether advance payments are to be made throughout a fiscal year to accommodate annual financial reporting by a recipient; and
 - whether the additional fixed, flexible or block contribution funding approaches for transfer payments to Indigenous recipients will be used.

Part 3: Funding agreement provisions

Departmental managers responsible for preparing funding agreements are to ensure that the following elements are addressed in funding agreements with Indigenous recipients.

Grants

1. The elements identified in Appendix F: Funding Agreement Provisions for Grants.

Contributions

1. The elements identified in Appendix G: Funding Agreement Provisions for Contributions, and the following elements, when appropriate:
2. A provision for advance payments to be made throughout the fiscal year, with annual financial reporting by the recipient.
3. When the fixed contribution approach is to be used, provisions regarding the following:
 - the recipient's responsibility to assume any costs in excess of the funding provided to meet the obligations and objectives set out in the funding agreement; and
 - the recipient's retention, at the expiry of the funding agreement, of any unexpended funding remaining, provided that the obligations and objectives set out in the funding agreement are met and that the recipient agrees to use the unexpended funding for purposes consistent with the

program objectives or any other purpose agreed to by the department.

4. When the flexible contribution approach is to be used, provisions regarding the following:

- the recipient's discretion to redirect funding among specified cost categories; and
- the recipient's retention, during the term of the funding agreement, of any unexpended funding remaining at the end of each fiscal year for use in the next fiscal year to further achieve results toward the program objectives. Any unexpended funding remaining at the expiry of the funding agreement constitutes a debt due to the Crown.

5. Where the block contribution approach is to be used, provisions regarding the following:

- the recipient's discretion to adjust the relative priority of programs in the block and to redirect funding among the programs to address changing circumstances and the recipient's evolving priorities, provided that progress toward the program objectives is being achieved;
- the recipient's responsibility to assume any costs in excess of the funding provided for the programs in the block to meet the obligations and objectives set out in the funding agreement; and

- the recipient's retention, during the term of the funding agreement and at the expiry of the funding agreement, of any unexpended funding remaining, provided that the obligations and objectives set out in the funding agreement are met and that the recipient agrees to use the unexpended funding for purposes consistent with the multi-program objectives or any other purpose reflecting the priorities of the recipient agreed to by the department.

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