

# **Federal Funding Practices And Policies: A Treasury Board Secretariat Study**

## **Final Report**

March 2003

## Table of Contents

<b>Background .....</b>	<b>4</b>
<b>Mandate .....</b>	<b>4</b>
<b>Members and Staff .....</b>	<b>5</b>
Treasury Board Secretariat, staff of the Voluntary Sector Project Office....	5
Voluntary Sector Working Group on Financing/Funding .....	5
Interdepartmental Working Group on Funding Study .....	6
<b>Terms of Reference .....</b>	<b>7</b>
Related issues for review .....	8
Interdepartmental coordination and consultation with voluntary sector representatives.....	8
Information and data sources.....	8
<b>Work Plan for Funding Study .....</b>	<b>8</b>
Phase 1 .....	8
Phase 2.....	9
Resources and staff .....	9
<b>Process used for the Funding Study.....</b>	<b>9</b>
Links with other VSI mechanisms .....	9
<b>Progress and Results of Phase I Work.....</b>	<b>10</b>
Statistical research.....	10
Phase I results .....	10
Recommendations for Phase II work .....	10
<b>Progress and Results of Phase II Work.....</b>	<b>11</b>
Phase II results .....	11
<b>Strengthening Voluntary Sector–Government Collaboration ....</b>	<b>12</b>
<b>Communications .....</b>	<b>12</b>
<b>Consultation .....</b>	<b>12</b>
<b>Dissemination and Knowledge Transfer .....</b>	<b>13</b>

<b>Lessons Learned .....</b>	<b>13</b>
<b>Completion of Work .....</b>	<b>13</b>
<b>Recommendations for Future Work .....</b>	<b>14</b>
<b>Milestones in the Funding Study .....</b>	<b>14</b>
<b>Relevant Documents List.....</b>	<b>16</b>

## **Background**

The Government of Canada and the voluntary sector have a long history of working together to achieve mutual goals. Until recently, however, their relationship has focused mainly on opportunities to collaborate at the departmental, rather than government-wide level. For their collaboration to respond effectively to new challenges in Canadian society, a more strategic, government-wide approach to policy, programming and funding was needed.

Government funding is the foundation of the relationship, so federal funding practices and policies have a significant impact on the wide range of voluntary organizations collaborating with government in delivering results for Canadians. For some time, the voluntary sector has raised an array of policy and administrative issues relating to the funding relationship for review and discussion. As no policy framework existed to give coherence and guidance to the funding relationship between government and the voluntary sector, developing such a framework was a necessary part of the funding review process in order to achieve the best possible outcomes in terms of service to Canadians.

## **Mandate**

The Voluntary Sector Project Office (VSPO) was mandated to undertake a comprehensive review and analysis of practices and policies in the Government of Canada's funding relationship with the voluntary sector, in order to:

- Identify and propose solutions to irritants and impediments;
- Enhance consistent practice across federal departments; and
- Improve the government's ability to strengthen voluntary sector capacity.

## **Members and Staff**

### **Treasury Board Secretariat, staff of the Voluntary Sector Project Office**

**John Walker**  
Director

**Ivy Chan**  
Analyst

**Mary Jane Emond**  
Administrative Officer

**Guy Fortin**  
Senior Analyst

**Barbara Humenny**  
Senior Analyst

**Shari Silber**  
Researcher/Analyst

### **Voluntary Sector Working Group on Financing/Funding**

**David Boyd-Thomas**  
Vice-President, Development  
VGH & UBC Hospital Foundation

**Bonnie Greene**  
Program Director  
The United Church of Canada

**Marcel Lauzière**  
Executive Director  
Canadian Council on Social Development

**Susan Lewis**  
Chairperson  
President, United Way Winnipeg

**Dan O'Grady**  
Manager, Community Investment,  
Public Affairs  
Enbridge Inc.

**Susan Pigott**  
Chief Executive Officer  
St. Christopher House

### **Secretariat Staff Support**

**Deborah Pike**  
Voluntary Sector Initiative Secretariat

## **Interdepartmental Working Group on Funding Study**

**John Walker, Chairperson**  
Director, VSPO

**Gordon Bean**  
Human Resources Development Canada

**Catherine Bertrand**  
Statistics Canada

**Ivy Chan**  
VSPO Analyst

**Jackie Claxton**  
Status of Women Canada

**Marilyn J. Collins**  
Human Resources Development Canada

**Bob Cumming**  
Agriculture and Agrifood Canada

**Terry de March**  
Justice Canada

**Sangita Dubey**  
Finance Canada

**Tony Falsetto**  
Human Resources Development Canada

**Guy Fortin**  
VSPO Analyst

**André Gosselin**  
Canadian International Development  
Agency

**Rod Hagglund**  
Canada Customs and Revenue Agency

**Karen Hill**  
Health Canada

**Barbara Humenny**  
VSPO Analyst

**Sophie Joyal**  
Statistics Canada

**Carl Juneau**  
Canada Customs and Revenue Agency

**Mary-Jane Lipkin**  
Health Canada

**Karen Madden**  
Human Resources Development Canada

**Don McRae**  
Canadian Heritage

**Jan Michaels**  
Canadian Heritage

**Jacqueline Payne**  
Health Canada

**Liz Rootham**  
Human Resources Development Canada

**Shari Silber**  
VSPO Analyst

**Kernaghan Webb**  
Industry Canada

## **Terms of Reference**

The Treasury Board Secretariat (TBS) work on the funding study, which was led by the Comptrollership Branch of TBS via the VSPO, covered several broad areas.

Improve funding practices for grants, contributions and fee-for-service which would:

- Streamline funding administrative requirements;
- Examine issues relating to accountability practice, performance measurement and service standards;
- Consider extending or stabilizing time horizons for grant and contribution support; and
- Identify best practices.

The work on funding practices was carried out in collaboration with departments and in consultation with a voluntary sector experts group and a wide range and diversity of voluntary organizations across Canada.

Examine federal funding policy issues, including:

- The strategic directions of federal support to the voluntary sector;
- Core versus project funding;
- Multiyear funding;
- The relative balance of tax expenditures versus direct support; and
- Identifying relevant policy considerations requiring action.

Reviewing these issues involved a strategic-level analysis of funding information from the Public Accounts of Canada and from tax data. The VSPO coordinated the joint research activities undertaken for this purpose by the Department of Finance, Statistics Canada, TBS and the Canada Customs and Revenue Agency (CCRA).

In light of the need to review information from taxation data and departmental input to the Public Accounts, the funding study work could not be pursued as a full joint table but rather as a collaborative mechanism of the VSI. However, the VSPO consulted regularly on developments with its voluntary sector experts group, the Voluntary Sector Working Group on Financing/Funding, through meetings, teleconferences and correspondence, and consulted with many diverse community, regional and national voluntary organizations to receive their views on the work in progress.

## **Related issues for review**

- Links to development of [\*An Accord Between the Government of Canada and the Voluntary Sector\*](#);
- Innovative alternative funding mechanisms and non-funding support measures;
- Implementation of revised Transfer Payments and other TBS policies;
- Link to Social Union Framework Agreement; and
- Government Online re: impact of technologies on improving funding practices.

## **Interdepartmental coordination and consultation with voluntary sector representatives**

- An Interdepartmental Working Group, chaired by the VSPO Director, assisted at all stages of the work;
- A voluntary sector experts group — the Working Group on Funding — was identified to act as a key contact for the study; and
- Voluntary sector representatives across Canada were consulted to inform the work as it progressed.

## **Information and data sources**

- Federal government departments;
- Voluntary sector, academics, provinces and territories;
- Available research studies;
- The 1998 Public Accounts of Canada: analysis of recipients of grants and contributions;
- The 1997 charitable tax receipts; and
- Other sources as required.

## **Work Plan for Funding Study**

### **Phase 1**

- Establish interdepartmental working group;
- Create voluntary sector advisory (experts) group;
- Identify issues with key departments and selected national, regional and local voluntary sector organizations;
- Develop conceptual framework;
- Statistical research on funding issues and levels (review of Public Accounts, CCRA Charities Results, etc.);
- Progress reports to Joint Coordinating Committee, TBS and governmental senior management;

- Discuss for information purposes with provinces and territories, particularly those having their own voluntary sector initiatives, e.g. Newfoundland and Labrador, Quebec, Ontario and British Columbia;
- Develop recommendations on funding practices and consult sector representatives;
- Develop recommendations regarding funding policies (implications, risks, etc.); and
- Report on interim results, progress achieved and options for next steps.

## **Phase 2**

- Begin implementing short-term improvements in funding practices;
- Consult with voluntary sector on approved issues for funding policies; and
- Develop recommendations for government on improving the overall funding relationship with the voluntary sector.

## **Resources and staff**

The VSPO carried out the funding study with a budget of \$1M from the VSI over two fiscal years (2000–01 and 2001–02), and five staff members — a director, two senior analysts, a researcher/analyst and an administrative officer.

## **Process used for the Funding Study**

- An interdepartmental working group assisted at all stages of the work;
- The Voluntary Sector Working Group on Financing/Funding provided expert advice throughout the funding study;
- Periodic reports to senior levels of government via the VSI's Assistant Deputy Minister (ADM) Sub-Committee;
- Progress coordinated with the overall VSI by the Voluntary Sector Task Force at the Privy Council Office; and
- A wide range of voluntary sector organizations were consulted throughout to inform the development of the work.

## **Links with other VSI mechanisms**

Given the connections between the work in their respective issue areas, information was regularly exchanged with the Joint Accord, Regulatory, Capacity and Information Management/Information Technology (IM/IT) joint tables.

## **Progress and Results of Phase I Work**

In Phase I, Voluntary Sector Project Office officials met with representatives of a diverse cross-section of some 85 national, regional and local voluntary organizations in eight centres across Canada to hear their views on how federal funding practices and policies might be improved. Information from these consultations, together with advice received from federal departments that work closely with voluntary sector organizations, helped to identify impediments in current funding arrangements and develop proposals for action in Phase II of the Funding Study.

### **Statistical research**

Ongoing collaboration with Department of Finance, Statistics Canada, and CCRA in:

- Reviewing the Public Accounts to determine levels of funding;
- Initiating creation of a Satellite Account to capture the relative value of the voluntary sector's contribution to the Canadian economy;
- Reviewing data on federally-regulated charities; and
- Analysing tax expenditure data, including tax relief for charitable donations and GST rebates to incorporated not-for-profit organizations, to obtain an overview of indirect support to the voluntary sector.

### **Phase I results**

Existing funding arrangements:

- Create impediments which divert sector resources from their primary purposes, thus reducing the effectiveness of working with government;
- Do not facilitate investments to build the necessary voluntary sector capacity for improved collaboration with government; and
- Provide few opportunities to support “best practice” exchange among departments and within the voluntary sector, which impedes learning and continuous improvement.

### **Recommendations for Phase II work**

From consultations with the voluntary sector and government departments, a consensus developed around the need for a funding framework to address the identified problems in existing funding arrangements that would reflect:

- Funding principles in [\*An Accord Between the Government of Canada and the Voluntary Sector\*](#);

- Government management principles applicable and appropriate to the voluntary sector context;
- An “evergreen” [\*GUIDE TO IMPROVING FUNDING PRACTICES between the Government of Canada and the Voluntary Sector\*](#); and
- A [\*Strategic Investment Approach \(SIA\)\*](#) to promote investments by departments in building the capacity of voluntary organizations with whom they collaborate on key policy goals.

## **Progress and Results of Phase II Work**

- The VSPO consulted over 125 voluntary organizations in 14 separate consultations across Canada to identify practical opportunities to improve funding practices and policies;
- Potential solutions were developed in collaboration with key funding departments, and further consultations undertaken with voluntary sector groups. Elements of a draft funding framework were well received by the voluntary sector and by government departments;
- Provincial officials were also briefed on the Funding Study progress; and
- In analyzing information from consultations and research, the lens of modern financial management principles and of *Results for Canadians* was applied, to seek a good balance among efficiency, flexibility and accountability requirements.

### **Phase II results**

A proposed new strategy for the funding relationship was developed to address short- and medium-term remedial actions as well as longer-term preventative measures. In consultations, the voluntary sector expressed strong support for the strategy’s key elements:

- A [\*Guide to Improving Funding Practices between the Government of Canada and the Voluntary Sector\*](#), as an “evergreen” document to encourage continuous improvement in the funding relationship and facilitate dialogue over the longer-term;
- A *Model Action Plan* to guide departments as they develop their individual plans to reduce or eliminate funding impediments in the short- and medium-term; and
- A [\*Strategic investment Approach \(SIA\)\*](#) based on a solid business case and identified results, which departments may use to help build the capacity of voluntary organizations with whom they collaborate on government priorities.

The Strategy on Federal Funding Practices was endorsed by government in November 2001.

## **Strengthening Voluntary Sector–Government Collaboration**

In developing the SIA, it became clear that a tool was needed to aid decision-making by departments partnering with voluntary organizations. In workshops organized by the VSPO, participants from voluntary organizations and federal departments examined the dynamics of voluntary sector–government collaboration and identified the essential prerequisites of a strong partnership. The result of this work is a causal loop diagram: *The Dynamics of VSO–Government Partnerships: Opportunities for Strategic Investment*, which can be used by government departments and voluntary sector organizations working together to determine where strategic investments can most usefully be made.

## **Communications**

The VSPO regularly exchanged information on issues under study with government departments, voluntary organizations, academics, and other interested groups and individuals. While the responsibility for specific communications products such as news releases lay with the Voluntary Sector Task Force, the VSPO communicated the results of Phase I of its funding study and the approved proposals for Phase II work in a widely-disseminated key messages document in May 2001.

## **Consultation**

The Voluntary Sector Working Group on Financing/Funding provided invaluable advice throughout the Funding Study as well as creating linkages and opportunities for consultation with voluntary organizations across Canada.

Over 125 voluntary organizations in 14 centres (both cities and smaller centres) across Canada consulted in both phases of the Study, provided information on impediments and gave views on the work in progress.

Interactive information on the Funding Study developed by the VSPO was posted by the Voluntary Sector Initiative Secretariat on its website, to seek feedback from interested individuals and organisations who were not involved in consultation meetings.

As well, the VSPO Director participated in both phases of the Accord consultations in communities across Canada, to provide information regarding funding study work with voluntary organizations and other participants in each location.

## **Dissemination and Knowledge Transfer**

Information exchange continued throughout the study with other Voluntary Sector Initiative mechanisms, particularly the joint tables on the Accord; Capacity; Regulatory Affairs and IM/IT, as well as with the Government Online initiative.

Once the Federal Strategy on Funding Practices and Policies was approved, the major products for its implementation were disseminated to members of the Funding Study working groups (both interdepartmental and voluntary sector); to the representatives of voluntary sector organizations consulted, as well as to representatives of provincial governments who participated in discussions. These products are:

- *Guide to Improving Funding Practices between the Government of Canada and the Voluntary Sector;*
- SIA; and
- *Final Results of Statistical Research into Funding of the Voluntary Sector.*

Federal departments and agencies also received a *Model Action Plan* to aid them in developing their specific plans to remove impediments in funding practices and policies.

## **Lessons Learned**

- Build up knowledge base from the front-line;
- Ask people what they need;
- Listen and learn;
- Be open and transparent about:
  - what is possible versus what is not, and the reasons why,
  - core funding versus funding to core activities, and
  - overall funding level;
- Be aware of the advantages of iterative dialogue versus “formal” consultation; and
- Find the common ground and accept incremental change over time.

## **Completion of Work**

### **April 2002 to March 2003**

Building on the signing of [\*An Accord Between the Government of Canada and the Voluntary Sector\*](#), the Joint Accord Table launched a process at the March 2001 Accord Forum to begin drafting [\*A Code of Good Practice on Funding\*](#) and [\*A Code of Good Practice on Policy Dialogue\*](#).

In support of this work, the Treasury Board Secretariat:

- Provided ongoing expert advice and guidance to the Voluntary Sector Task Force on the development of the codes, particularly the Code of Good Practice on Funding, in terms of the Government's financial management framework and related policies. During the development process, The [\*TBS Guide to Improving Funding Practices and Policies between the Government of Canada and the Voluntary Sector\*](#) was integrated into the Code of Good Practice on Funding and is now superseded by it.
- Created awareness, through presentations and workshops, of the Accord and the Codes of Good Practice on Funding and Policy Dialogue across the relevant sectors of the TBS, highlighting the commitments to be implemented by departments and agencies.
- Continued to provide advice to government departments on how the good practices in the Funding Code fit within the context of the government's financial management framework, particularly the Policy on Transfer Payments.

## **Recommendations for Future Work**

With the successful completion of the Funding Study and the ensuing work by TBS noted above, no further work in this area by TBS is required. However, in its ongoing role with departments, TBS will facilitate the work they are doing to implement the codes, particularly by advising how the Funding Code commitments relate to the requirements of the TBS Policy on Transfer Payments and other elements of the government's financial management framework.

## **Milestones in the Funding Study**

- |             |   |
|-------------|---|
| 09/00       | First meeting of Interdepartmental Working Group on Funding to discuss scope of work and terms of reference and next steps.   |
| 10/00       | First meeting with voluntary sector experts group — Voluntary Sector Working Group on Financing/Funding — to discuss scope of work, terms of reference and next steps.  |
| 11/00-03/01 | Meetings with voluntary sector organizations across Canada and with federal departments to hear views and identify major irritants and impediments in the funding relationship between the voluntary sector and the federal government. |

- 05/01 Review of Phase I results and approval of Phase II Action Plan.
- 06/01 Work initiated to develop the strategy outlined in the Phase II Action Plan; VSPO Director participates in Joint Accord consultations across Canada to exchange information on funding study with community representatives and other participants.
- 07/01-08/01 Drafts of major strategy elements developed, in consultation with the interdepartmental working groups, departments and the Working Group on Financing.
- 09/01 Preliminary results of statistical research with CCRA, Department of Finance, Statistics Canada; First voluntary sector–government workshop to examine issues in the dynamics of voluntary sector–government partnering.
- 09/01-11/01 Second round of consultations with voluntary organizations across Canada to hear views on Phase II directions.
- 10/01 Report on Results of Phase II and Recommendations for Action.
- 11/01 Second Workshop on dynamics of voluntary sector–government partnering identified the essential prerequisites of a strong collaboration and developed resource to aid departments in making Strategic Investments.
- 12/01 Approval of Federal Strategy on Funding Practices and Policies.
- 01/02 Products to aid implementation of new Federal Strategy on Funding Practices and Policies disseminated to departments and voluntary sector organizations consulted during the funding study.
- 03/02 The Joint Coordinating Committee and Joint Accord Table launched a process at the Accord Forum to develop Codes of Good Practice on Funding and Policy Dialogue.

## **Relevant Documents List**

[Voluntary Sector: The Third Pillar of Canadian Society](#)

*Phase II Action Plan*

Final Results of Statistical Research into Funding of the Voluntary Sector

[Guide to Improving Funding Practices Between the Government of Canada and the Voluntary Sector](#)

*Model Action Plan*

[Strategic Investment Approach](#)

Partnering Between the Government of Canada and the Voluntary Sector: Guide to the Dynamics of VSO-Government Partnering

[An Accord Between the Government of Canada and the Voluntary Sector](#)

[A Code of Good Practice on Funding](#)

[A Code of Good Practice on Policy Dialogue](#)