

Human Resources and Skills Development Canada  
(HRSDC)

Final Report

Program Management Review:  
Grants & Contributions

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 Capgemini  
CONSULTING. TECHNOLOGY. OUTSOURCING

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## Abbreviations

AAFC	Agriculture and Agri-Food Canada
ADM	Assistant Deputy Minister
AHRDA	Aboriginal Human Resource Development Agreement
CA	Contribution Agreement
CIDA	Canadian International Development Agency
CRF	Consolidated Revenue Fund
CSGC	Common System for Grants and Contributions
EBSM	Employment Benefits and Support Measures
EI Part II	Part II of the <i>Employment Insurance Act</i> (1996)
EPA	Environmental Protection Agency, United States of America
FAS	Financial and Administrative Services
G&Cs	Grants and Contributions
GoC	Government of Canada
HC	Health Canada
HRCC	Human Resources Canada Centre
HRDC	Human Resources Development Canada
HRP	Human Resources Partnership
HRSDC	Human Resources and Skills Development Canada
IARMS	Internal Audit and Risk Management Services of HRSDC
IC	Industry Canada
INAC	Indian and Northern Affairs Canada
LMDA	Labour Market Development Agreement
LMI	Labour Market Information
MSC	Modernizing Services for Canadians
NGO	Non-Government Organization
NHI	National Homelessness Initiative
NHQ	National Headquarters of HRSDC
OGD	Other Government Department
OLMC	Official Languages Minority Communities
O&M	Operations and Maintenance
QAF	Quality Assurance Framework
RBAF	Risk Based Audit Framework
RHQ	Regional Headquarters
RMAF	Results-based Management and Accountability Framework
SCP	Summer Career Placement
SCPI	Supporting Communities Partnership Initiative
S&C	Specialization and Concentration
SD	Social Development
TBS	Treasury Board of Canada, Secretariat
T&C	Terms and Conditions
TWS	Targeted Wage Subsidy
UNDP	United Nations Development Program
WEDC	Western Economic Diversification Canada

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## Executive Summary

This report is the culmination of the independent review conducted by Capgemini on behalf of Human Resources Skills Development Canada (HRSDC) to examine the integrity of the management and accountability of Grants and Contributions (G&Cs) delivery and, to develop recommendations for a new model (or models) of program delivery.

## Overview of Finding

The study team found that the focus on controls has superseded the focus on the achievement of the intended purposes of the programs. While this study in no way supports non-compliance with federal government or departmental management frameworks for G&C management, it does recommend a regime whereby a balance of risk and control is achieved, within the parameters of policy and operational procedures. In many instances, the study found evidence where the financial controls and elimination of risk were the over-riding consideration, with insufficient concern for delivering on program objectives.

Therefore, improvements are required to balance risk and control with intended results or in other words, to reduce the ‘process strangulation’ that was evidenced on several occasions during the course of regional, HRCC and project sponsor visits. These improvements are required in the areas of delivery mechanisms, organizational delivery approaches, and process and delivery network efficiencies. (It should be noted, however, that a number of efforts have been and are being made to improve the delivery of G&C programs.)

## Methodology and Approach

The study followed a three-phase methodology:

- Phase I: scoping, methodology, and Phase II and Phase III planning;
- Phase II: field work planning, data gathering, analysis & options develop; and
- Phase III: reporting.

In Phase II, interviews were conducted with HRSDC NHQ, regions and HRCCs, other government departments and international organizations. In addition, a blue ribbon panel of experts was consulted to obtain independent and external feedback on Capgemini’s findings and recommendations.

## Key Findings and Recommendations

Key findings and recommendations cover the following:

- delivery mechanisms,
- organizational delivery,

- process and delivery network efficiencies.
- policy considerations,

## Delivery Mechanisms

Capgemini conducted an analysis of alternative delivery mechanisms and models. The team assessed the advantages and disadvantages of each mechanism. The following options were considered:

- **Results-Based Contribution Agreements** – this mechanism seems appropriate for meeting the key assessment criteria of client service and accountability for results;
- **Service Contracts** – this mechanism also seems appropriate in how it meets the key assessment criteria for client service and accountability for results. However, this would involve a significant cultural change for the Department. Consequently, new processes and skills would be required to understand and manage service contract relationships. The trade-off would be a reduced ability to account for detailed spending.; and
- **Grants with Conditions** – this mechanism would ease the burden for recipients and simplify the process for HRSDC.

### Recommendations:

- Capgemini recommends that HRSDC use the following three mechanisms as potentially viable service delivery methods: results-based contribution agreements, service contracts and grants with conditions; and
- Capgemini recommends that HRSDC conduct a thorough review of each program and determine the appropriate delivery mechanism by program.

## Organizational Delivery

Capgemini reviewed the current delivery structure for the Gs&Cs programs. The team assessed the delivery structure at the national, regional, and local levels. The team’s finding was:

### Delivery

Overall the review did not identify problems with the delivery points (national, regional, local) of current programs. While some flexibility to address regional variations in employment needs is valid, there should be greater direction by NHQ on the level of flexibility and asymmetry that is permitted. In the absence of this direction, we noted inconsistencies among regional program delivery and service levels.

### Recommendation:

- Capgemini recommends that HRSDC continue its specialization and concentration initiative, which will clarify the scope of permissible flexibility and asymmetry that can exist within the current service delivery network and help to better balance controls, risk management, and results.



## Process and Delivery Network Efficiencies

Capgemini reviewed the control framework and the processes program managers use to address risk issues with greater scrutiny. The team attempted to ascertain the degree to which both of these components were aligned with the level of risks in the process and delivery networks. The findings were:

### Control

The current level of control is not aligned with the level of risk associated with many of the projects reviewed and furthermore the over-emphasis on financial monitoring has a detrimental effect on ensuring that the intended results are achieved.

### Risk

The current risk management framework does not sufficiently take into account such important factors as sponsor history, the value of the agreement, complexity of the project and percentage of sponsor funding the agreement will provide, to assess the overall risk of the project.

### Balancing Risks and Controls

The impacts of the current imbalance among controls, risk and results on the operational effectiveness of the Department are significant.

#### Recommendation:

- Capgemini recommends that HRSDC re-balance controls to match the risk and results of the program through the use of a more robust risk management framework and new funding mechanisms.

## Policy Considerations

Capgemini identified a number of issues related to the department's vision for employment programs and labour market strategies. It should be noted that many of these issues are being addressed through other means by the department. The issues are:

### Performance Indicators and Intended Results:

The performance indicators and intended results for employment programs for the long term, (i.e., in 10 years) can be improved to encompass the broader objectives and intended results related to aggregate investment in employment programs.

#### Recommendation:

- Capgemini recommends that HRSDC set out a clear strategy and directions related to intended results for Employment/Labour Market Programs.
- Capgemini recommends that HRSDC define the Department's long term role and that of its partners (both existing and potential) in the delivery of labour market programs toward achieving the end-state, once defined.

## HRSDC's Role in Community Capacity Building

The Department's position on its role in building community capacity should be clarified and acted upon.

### Recommendation:

- Capgemini recommends that HRSDC define and clearly communicate its role in community capacity development within its broader service delivery strategy.

## Flexibility in Program Design

The Department must balance the standardization of program authorities and service standards with a sufficient level of flexibility to ensure local conditions continue to be addressed.

### Recommendation:

- The Department must determine the level of flexibility and control it deems appropriate in constructing terms and conditions for programs. The control over the delivery mechanisms must then be balanced to reflect the risk profile of the program or project and meet accountability mandates.

## Leading Practices

Capgemini undertook a study to identify leading practices in grants and contributions management and case management. The key findings applicable to HRSDC for improving its program delivery are:

- Installment payments are tied to some of the expected outcomes for the funded activities through grants. This helps instill a result-oriented approach within, while ensuring accountability requirements are not jeopardized.
- Adaptive risk management frameworks are used to identify initiatives that require enhanced levels of monitoring, based on the past performance of the recipient organization and the contract value and complexity of the program. This helps in fine-tuning the monitoring efforts to ensure that appropriate levels of controls are in place for the initiatives that require it.
- Ensure that the services are delivered close to the recipients in receipt of the funds to allow customized delivery of programs to clients, while ensuring a consistent approach in fulfilling the organization's mandate and reporting on its results.

## Road Map for Change

The transformational issues that should be considered in a road map for change are:

- Change Management;
- Possible Changes to Operational Policies at TBS and HRSDC;
- Process Re-engineering / Streamlining;
- Definition of Intended Results;

- Human Resources; and
- Communications.

However, the key to effective program delivery is finding the appropriate balance between risk, control, and results.

In order to implement the changes, it is recommended that the department establish short term (within 1 year) and long term (3 – 5 years) goals:

### **Short term**

- Establish a strategy for Employment/Labour Market Programs to address the questions of Expected Results and Targeted Clients. Establish an operational strategy that would include the following tasks:
  - Determine whether changes to policy are indeed required in consultation with Treasury Board;
  - Conduct further analysis on the implementation of new mechanisms (Results-Based Contribution Agreements, Grants with Conditions and Service Contracts) , determine the appropriate delivery mechanism, and the program policy supports that should be put in place (i.e. multi-year agreements) for each program;
  - Simplify contribution agreements and develop a more results-based approach to rebalance controls to match the risk and results of the program;
  - Pilot new mechanisms for specific programs;
  - Develop a business case for Long Term integration with federal government departments for the Shared Administration of Gs&Cs.

### **Long term**

- Examine the business case and opportunities for implementing an integrated GoC Gs&Cs administration and delivery model

# 1. Introduction

## 1.1. Purpose of this Document

In March 2004, Human Resources Skills Development Canada (HRSDC) contracted Capgemini to conduct an independent review to ensure the integrity of the management and accountability of Grants and Contributions (G&Cs) delivery and, to develop recommendations for a new model (or models) of program delivery in the context of Modernizing Services for Canadians (MSC), that will meet the highest standards of administration and accountability. An important partner to this study, the Treasury Board of Canada Secretariat (TBS) was an active member of the Project Steering Committee. This report is the culmination of the independent review conducted by Capgemini on behalf of Human Resources Skills Development Canada.

References are made to HRSDC's predecessor department, Human Resources Development Canada (HRDC), for historical purposes.

## 1.2. Objectives

HRSDC's stated objective was to review the integrity of the management and accountability of Grants & Contributions delivery. The review encompassed an investigation of alternative business models for all HRSDC, Homelessness and Labour programs currently delivered through Grants and Contributions.

This review also required the development of recommendations to optimize service delivery through enhancement or fundamental changes to the current service delivery model. Any proposed business model would need to meet the highest standards of administration and accountability as well as the needs of the departmental mandate and priorities.

## 1.3. Scope Elements

The following three scope elements were developed in Phase I for assessment and analysis:

- *Program Delivery Mechanisms:* What is the most effective mechanism for program delivery?
- *Program Organizational Delivery Network:* What is the optimal arrangement and mix of nationally, regionally and locally delivered programs?
- *Process and Delivery Network Efficiencies:* What is the appropriate process (internal controls) given the program objectives, the level of risk and the intended results?

The following diagram illustrates the scope elements.

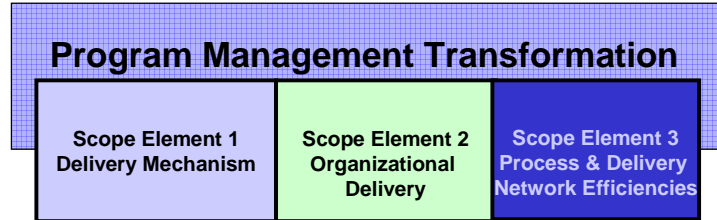


Figure 1: Program Management Transformation

The first Scope Element, **Delivery Mechanism** ensures that the most effective mechanisms for program delivery (e.g., transfer payments; service contract, etc.) are examined and recommended for a future state design of G&C delivery.

The second Scope Element, **Organizational Delivery** will ensure that the best organizational delivery point (National, Regional, Local) is used for the program or portfolio of programs.

The third Scope Element, **Process and Delivery Network Efficiencies** will ensure that the future process is appropriate given the program objectives.

## 1.4. Project Scope

The following items and programs were included in the scope of the review:

- Current HRSDC, Homelessness and Labour programs delivered nationally, regionally, through Human Resource Canada Centres (HRCCs), and through third parties or community sponsors (listed in Appendix A of this report);
- Business Model for optimal delivery by program;
- Internal control framework and process improvements;
- Consultation with a sample of stakeholders (non-statistical);
- Business models and delivery mechanisms in other jurisdictions (provincial, international, other government departments); and
- National Headquarters, regions and local offices.

In addition, the scope included an assessment of leading practices related to Gs&Cs program management and delivery at other Canadian federal government departments and three agencies from other jurisdictions. The study also considered relevant impacts that may affect Gs&Cs due to the ongoing work within the Modernizing Services for Canadians program.

Note that this study *did not address* the following items and programs:

- Tax based options for employment-related benefits and incentives;
- Unit costing of Delivery process to benchmark or measure the financial impact of suggested changes

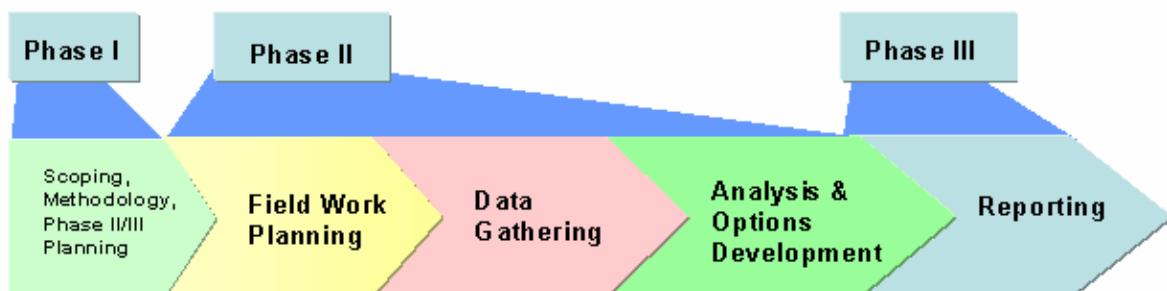
- Programs that fall under the authority of the *Employment Insurance Act* (Part II) that are fully devolved through Labour Market Development Agreements (LMDAs);
- Processes by which Aboriginal Human Resources Development Agreements (AHRDAs) program benefits and services are delivered to constituents;
- Assessment of the effectiveness of current programs; and,
- Audit-like activities or level of assurance related to current program delivery.

## 1.5. Approach and Methodology

Our approach and methodology was based on a number of principles that have been identified by HRSDC and TBS leadership as important directives to guide the project direction. The principles are as follows:

- The study was forward-looking in nature focusing on a “to-be” or “future state” of program delivery in contrast to an assessment of the current state;
- The approach and method encompassed the entire lifecycle of G&C management and delivery, specifically the three scope elements described above (Delivery Mechanism, Organizational Delivery, and Process and Delivery Network Efficiencies);
- The study included a strong focus on leading practice research from other departments, jurisdictions, and sectors, contributing to the *forward-looking* principle;
- The study explored all relevant options related to efficient and results-based management and delivery. There was no inherent bias in the study approach to any one mechanism – existing or new.

The diagram below summarizes the customized approach for the Program Management Review.



**Figure 2: Program Management Review Approach**

During Phase I, the project team developed the methodology, a program assessment framework and the detailed work plan required to conduct the review in the following phase. Phase I culminated in the production of the Project Planning Document.

The following work was conducted for Phase II:

**Field Work Planning** was conducted to prepare for the regional visits.

In the **Data Gathering** stage, Interviews were conducted with HRSDC program managers and delivery officers in NHQ, the Regional Headquarters and HRCCs, as well as sponsor groups. The following six regions were visited:

- British Columbia;
- Alberta;
- Ontario;
- Quebec;
- Nova Scotia; and
- Newfoundland.

These regions together provided an appropriate representation of the various LMDA delivery models for *EI Part II* programs as well Ontario Region, which does not have an LMDA and is responsible for directly allocating and managing programs of significant scope. The six regions visited have the largest amount of program funds under management. The team consulted with a variety of senior and operational managers in regional headquarters to obtain a clear understanding of the delivery models, and possible alternatives, related to their programs. The team visited local HRCCs to consult with the Directors and program managers/officers to gain an understanding of the issues at the local level related to the G&C delivery models. While at each region, the team also consulted with representatives from third parties (project sponsor, community entity or community coordinator).

Leading practice research was also collected through interviews with OGDs in headquarters and regional offices and leading public organizations worldwide. The Canadian federal departments consulted were as follows:

- Agriculture and Agri-Food Canada (AAFC);
- Canadian Heritage (PCH);
- Canadian International Development Agency (CIDA);
- Health Canada (HC);
- Indian and Northern Affairs Canada (INAC); and
- Industry Canada (IC).

The other agencies consulted were:

- Environmental Protection Agency (EPA), US Government agency;
- Department of Work and Pensions, Government of United Kingdom; and
- United Nations Development Program (UNDP), a Global Grants Management Agency.

The interviewee list is provided in Appendix C. Relevant documentation was collected and reviewed.

In the *Analysis and Options Development* stage, options and recommendations were developed based on all analysis and information collection completed. A formal presentation and discussion was conducted with the ADM Steering Committee to review the options and recommendations proposed. Presentations and discussions were held with various senior and executive managers from HRSDC in headquarters and the regions and with Treasury Board of Canada Secretariat. In addition, several focus groups were held with regional representatives to gather feedback on the preliminary recommendations.

An expert advisory panel, referred to as the Blue Ribbon Panel, was used to obtain external and independent viewpoints on the analysis and identified delivery models. The Blue Ribbon Panel members were drawn from:

- Academia (School of Policy Studies, Queens University);
- Canadian Government central agency (Privy Council Office);
- Other government agencies who deliver social programs and/or use Grants and Contributions (Province of Alberta, Industry Canada);
- Philanthropic agency who issues grants and/or contributions (Aga Khan Foundation Canada); and
- Banking industry.



## 2. Background

### 2.1. Introduction

HRSDC is responsible for providing Canadians with the tools required for the modern workplace. Support is provided to develop human capital, expand labour markets and establish a culture of lifelong learning for Canadians. The department is a large and complex entity with offices in every province and territory and a network of over 300 HRCCs. The department uses Gs&Cs extensively, particularly in the delivery of employment programs.

The total transfer payments made by HRSDC in the three previous years are shown below:

HRSDC TRANSFER PAYMENTS (IN MILLIONS)			
	2001/02	2002/03	2003/04*
CRF	\$821	\$964	\$1,047
EI Part II	\$2,084	\$2,111	\$2,177
<b>Total</b>	<b>\$2,905</b>	<b>\$3,075</b>	<b>\$3,224</b>

\* Period-10 Allocation

Table 1: HRSDC Total Transfer Payments

### 2.2. Grants and Contributions Program Overview

There are eight major categories of G&C programs at HRSDC:

- *Employment Benefits and Support Measures (EBSM) Programs* are delivered through Part II of the *Employment Insurance Act* and include Targeted Wage Subsidies, Job Creation Partnerships, Skills Development, Self-Employment, Employment Assistance Services, Labour Market Partnerships, and Research and Innovation.
- *Youth Programs* include Skills Link, Career Focus, Summer Work Experience (Summer Career Placement, Partners in Promoting Summer Employment), and Youth Awareness Initiative.
- *Aboriginal Programs* deliver employment and social development programs geared to the specific needs and priorities of Aboriginal communities through Aboriginal Human Resources Development Program and Aboriginal Skills Employment Partnership Programs.
- *Human Resource Partnerships* enable Canadians to learn, acquire skills and participate fully in civic, social and economic life. These programs develop knowledge, provide information, and increase awareness by leveraging the following programs: Essential Skills Initiative, Sectoral Council Program, and Occupational and Skills Initiatives.
- *Learning and Literacy Programs* support literacy organizations, the development and use of new learning technologies and international educational exchanges. The

programs include Office of Learning Technologies, Learning Initiatives Program, National Literacy Secretariat and International Academic Mobility Program.

- *Homelessness Initiative* works through partnerships with community organizations, the private sector, voluntary sector and all levels of government to help people who are homeless in Canada by leveraging the following programs: Supporting Communities Partnership Initiative, Urban Aboriginal Strategy and Youth Homelessness.
- *Labour-Management Partnerships* support employers and unions in testing specific innovations that will improve workplaces through the Labour Program.
- *Official Languages Minority Communities* program supports communities to enable them to implement their strategic plans to promote human resources development, employability and capacity building in Canada's linguistic minority communities.

In addition, the Opportunities Fund, in Social Development Canada, delivers programming through grants and contributions. The objective of the Opportunities Fund (OF) for Persons with Disabilities is to assist persons with disabilities in preparing for, obtaining and keeping employment or becoming self-employed, thereby increasing their economic participation and independence.

See Appendix A for further detail on the program descriptions.

See Appendix B for additional information on the transfer payments by program and region for 2003/2004.

### 2.3. Critical Events Leading up to the Current Situation

Since 1999, a number of critical events have led to ongoing reform and transformation of programs delivered through G&Cs.

In 1999, HRDC Internal Audit and Risk Management Services conducted an audit of the documentation of seven G&C programs and recommended the implementation of standardized file management procedures. In response to the report published in 2000, the Department developed and implemented a Six-Point Action Plan to rectify administrative problems and help HRDC manage flexible, responsive programs in ways that ensure proper accountability and controls for public funds. Since the audit results were released and the Action Plan initiated, HRDC staff in offices across Canada have reviewed multiple projects to ensure that all payments met standards set by the TBS and HRDC.

In October 2000, the Auditor General of Canada released an audit report of the management of G&C programs at HRDC up to December 1999. The audit examined four of the G&C programs and concluded there were deficiencies in the management control frameworks. These included breaches in authority, payments made improperly, limited monitoring of finances and activities, and approvals not based on established processes. The report noted that good progress was made toward meeting the

commitments in HRDC's Six-Point Action Plan, but that HRDC would need to sustain its efforts and attention if it was to achieve the broad changes the action plans envision.

In 2001, an external third party review of Delivery Models of G&C Programs was conducted. It was recommended that the current delivery model should be enhanced by focusing on the following areas:

- Automation;
- Concentration and Specialization; and
- Risk Management.

In May 2002, the Modernizing Services to Canadians (MSC) initiative was launched to provide multi-channel delivery of programs to Canadians. The MSC initiative seeks to redefine how Canadians interact with their government. The goal is to meet citizen's growing demands for service while at the same time achieving program efficiencies through the use of information technology and the simplification of business processes. MSC should have a positive impact on programs delivered through G&Cs, given the important emphasis on client and multi-channel service delivery.

On December 12, 2003, HRDC was split into two separate departments. This change reflects the government's priorities to strengthen the social foundation of Canadian life and to facilitate better social outcomes through more coherent and relevant policy.

- HRSDC is focused on policies that contribute to a well functioning labour market and effective learning systems; and,
- Social Development (SD) brings together social policy related to income security and other challenges faced by seniors, families and children, and persons with disabilities.

In creating the departments, the government also recognized the need to minimize disruption and ensure progress toward providing more integrated and seamless service to Canadians. To this end, the departments were mandated with continuing to rationalize service and benefits delivery.

## **2.4. Advances Made in Enhancing the Management of Gs&Cs**

Since the initial audits and reviews conducted in 1999 – 2001, HRDC has made advances on enhancing the management of Grants and Contributions.

In September 2002, HRDC developed and implemented the first module of the Common System for Grants & Contributions (CSGC), the Project Lifecycle Module. This module addresses all new community-based contribution agreements and grants administered from application to close out. A second module, the Client module, was launched on November 22, 2004, and it manages contributions given directly to individuals and provides the capacity for case management.

In October 2003, the Specialization and Concentration (S&C) initiative was approved and launched. Phase I of the implementation was carried out through the approval and dissemination of four directives in February 2004, addressing the following:

- Segregation of duties: no one Program Officer will execute all phases of the project lifecycle;
- Internal review committees: process to support delegated signing authorities through structured review projects with informal, formal and additional review committees;
- Process to select sponsor: ensuring a transparent and equitable means of awarding high dollar value agreements using processes such as Call for Proposals;
- Enhanced financial control: ensuring transparency and probity in the administration of large contribution agreements as well as early identification and mitigation of potential problems.

A new HRSDC Accountability Structure for Program Delivery and Reporting has been implemented. Accountabilities of Regional Executive Heads to NHQ Assistant Deputy Ministers (ADM) with respect to program delivery were clarified by addressing relationships, roles and responsibilities as well as a process for their development and review as part of the annual business planning cycle.

An Internal Control Framework was prepared and recently updated to reflect a clear delineation of process controls, including Concentration and Specialization tasks, throughout the agreement lifecycle.

## 2.5. Current Initiatives affecting the management of Gs&Cs

There are several initiatives currently being conducted at the time of this Program Management Review.

- Employment Program Policy is under review to reassess the focus and strategy of HRSDC programs.
- Phase II of Specialization and Concentration led by EPO is under development to identify potential organizational models that will facilitate increased concentration and specialization of complex functions. Work is underway to identify possible organizational models for the front-end and the back-end, as well as determine critical mass functions.
- Workplace Skills Strategy is a review of current programming to make services more accessible to people who are currently working.
- Lifelong Learning is a review of existing programming to implement the GoC's commitment to lifelong learning.
- In-Person Service Project to review HRSDC/SDC in-person services and present options that are aligned with the GoC/Service Canada In-Person Team options and the proposed MSC transformations; and to position HRCCs as essential to achieving HRSDC/SDC policy objectives and a robust network capable of supporting a future GoC in-person delivery network.
- A pilot is being launched by EPO to assess means of simplifying the settling and administration of overhead costs within a contribution agreement.

### 3. Findings and Recommendations

This section covers the observations and recommendations of the study, including the three scope areas (delivery mechanism, organizational delivery network and delivery process) and additional findings outside the scope of the study, but viewed as significant to the management of programs delivered under grants and contributions. The observations are based on the findings from interviews with departmental staff in NHQ, regions and HRCCs, as well as interviews with some program sponsors from the regions. Management representations obtained through interviews were supported by documentation reviewed.

Interviews were held with other government departments and international organizations to identify leading practices and lessons learned relevant to our review. In addition, a blue ribbon panel of experts was consulted to obtain independent external feedback on Capgemini's findings and preliminary recommendations.

The detailed observations from the six regional visits and NHQ interviews are provided in Appendix F. The detailed observations from the leading practice research are provided in Appendix G.

The study team made recommendations for the following four key findings:

- Delivery Mechanism
- Organizational Delivery
- Process and Delivery Network Efficiencies
- Policy Considerations

#### 3.1. Policy Considerations

A major scope component of this project was a review of existing and alternate mechanisms for the delivery of HRSDC grants and contributions programs. A key project output was to identify and assess delivery mechanisms that would produce more efficient and citizen-centered delivery of employment programs. However, it became apparent that changing a mechanism in itself would be insufficient in leading to improved service delivery results. Therefore, additional improvements were required including a more balanced control framework (addressed in later sections of this report) and a clear statement of the desired future state.

A number of issues were observed in relation to the department's vision and labour market strategies. Although the policy issues are out of scope, in sum, they are the hinge on which all other issues regarding delivery mechanisms are linked.

The policy issues are:

- Performance Indicators and Intended Results
- HRSDC's Role in Service Delivery
- HRSDC's Role in Community Capacity Building
- Flexibility in Program Design

### 3.1.1 Performance Indicators and Intended Results

**The performance indicators do not encompass the broad objectives and intended results that HRSDC strives for.**

In 2003-04, HRSDC invested \$2.7 billion<sup>1</sup> for Employment Programs in Canada's labour market. In accordance with the Employment Insurance Act, the annual performance of the Employment Programs has focused on three key indicators: the number of EI claimants returning to work, cost savings realized and the number of claimants served. This information is reported annually in a Monitoring and Assessment Report. While prescribed in legislation, the performance indicators do not encompass the broad objectives (both stated and informal) and intended results that regions, HRCCs and project sponsors strive for.

While work has been undertaken to examine departmental performance for grant and contribution programs, consideration should be given to expanding the performance definitions to include broader targets for improving Canada's employment state. The current strategies do not fully address what role HRSDC should play in employment programs (e.g., direct involvement, contracting or community delivery), nor do they fully describe the intended outcomes over the short and long terms.

Capgemini interviewed departmental staff and project sponsors in six regions. Part of the interviews focused on the adequacy and strength of the current performance framework and department's ability to respond to the demand for programs and services. In many instances, interviewees asserted that the demand for employment programs and, in turn, the projects that were funded, did not always align with the expected results, as defined through the performance indicators. Capgemini observed that the results of HRSDC intervention are broader than only increasing the number of people employed or achieving savings in the EI fund. For instance, some HRSDC programs are directed to the 'under-employable', i.e., those with multiple barriers that prevent them from readily re-entering the workforce. Existing employment programs are directed largely to those Canadians who have been employed and are currently receiving employment insurance benefits. Their employability opportunities are generally higher given their past work records. As a result, programs to help multi-barriered persons become more employable would compare unfavourably to those for unemployed, skilled persons in search of work.

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<sup>1</sup> Part II Main Estimates, 2003-04.

Similarly, national programs such as Human Resource Partnerships promote national partnerships in studying and addressing emerging skills issues in various industries. Investments in Sector Councils result in a better understanding of the labour market, which ensures that learning systems evolve to respond to the skills needed in today's labour market. This intervention will not directly result in employment but will provide information to better direct and train unemployed persons, assisting them in ultimately obtaining employment. The Literacy and Learning programs also support various initiatives to improve literacy skills. This activity may not directly result in employment, but it does result in a positive difference in an individual's employability. In fact, an employed individual may benefit from the Literacy and Learning programs, providing them with a skill set to potentially increase their mean income.

The current performance indicators, jobs and savings, do not recognize these broader beneficial outcomes. Furthermore, the current performance indicators do not express an 'end-point' against which the department, employees and sponsors can strive for. They are short term in nature and do not adequately reflect the activities and achievements of the Department, nor do they give a clear picture of whether the Department has 'moved the yardstick' over the long term. The Department is aware of this and has initiated work to address the performance indicators and tie them to the new Strategic Objectives. The difficulty lies in defining clear, meaningful measures to demonstrate a positive and intended difference in the labour market as a direct result of HRSDC intervention. For instance, the measures should recognize interventions that provide Canadians with the tools to thrive and prosper in the workplace as well as those who have obtained and retained employment as a result of HRSDC interventions.

Possible examples of performance indicators could include major milestones such as the removal of a barrier, such as illiteracy or drug abuse. For programs not delivering services directly to unemployed individuals, such as the national programs, performance indicators may include the number of graduates from a training program established to address a market shortfall. Many performance indicators are already identified in some program Results-based Management Accountability Frameworks (RMAF). The difficulties in identifying new performance indicators for EBSMs are made more complex since the performance indicators are embedded in the LMDAs, which would require a renegotiation of existing agreements.

### **3.1.2 HRSDC's Role in Service Delivery**

**There is no clear definition of what the intended role for HRSDC is for the long term, i.e., in 10 years, in the delivery of EBSM programs.**

Interviews with Departmental staff and sponsors indicated a divergence of opinions on the level of control and involvement HRSDC should have in delivering employment services. Some wanted more control in program delivery, while others felt that the community or local governments are better positioned to customize and deliver programs.

Under the INAC model, the Department is moving toward Aboriginal self-government<sup>2</sup> such that the Department will ultimately transfer the responsibility for program delivery to the Aboriginal communities. The same scenario is possible for HRSDC, such that the Department could ultimately transfer the responsibility for employment program delivery to the community.

Some devolution already exists for EBSM programs through the LMDAs. However, the level of devolution varies greatly across the LMDAs. Many new partner relationships are being formed, such as community entities, community coordinators, municipalities and provinces. Without a clear direction on the ultimate role for the Department, these new relationships may be incrementally and perhaps inadvertently, transferring control of program delivery over to the partners. If this is the intended goal of HRSDC, it must be clearly stated as so. Once the end-state is defined, HRSDC will need to determine the appropriate level of devolution needed to transition to and achieve that end-state.

Another option for HRSDC's long term role may involve the participation in a virtual organization, made up of several federal government departments, that would administer all government grants and contributions, giving recipients a single point of contact for their grant or contribution. This option would satisfy a need for the government as a whole to work with communities in an integrated fashion. This option may take several years to be realized and for the benefits to flow. Nevertheless, it is a viable long term option that should be explored further as part of the MSC program. This model for delivery of grants and contributions programs was treated as a separate delivery option and is further discussed in section 4.2 Delivery Mechanism.

HRSDC's long term role, along with those of its partners (both existing and potential), in designing and delivering programs is dependent on a clear labour market strategy and a defined end-state. When redefining the strategy and end-state, HRSDC needs to consider the types of partnerships and the types of partners the Department wants to do business with.

Collaborative partnerships allow HRSDC to work together with other government departments, the voluntary sector and for profit organizations in a shared planning process to identify common outcomes, objectives, principles and performance indicators. This allows for asymmetry in programming while maintaining a common commitment to national outcomes. The Urban Aboriginal Strategy is such an example of how departments can work in partnership to achieve a national outcome.

Different partnership arrangements will suit some types of partners, while deterring others. A fully devolved arrangement is favoured by the provincial governments in Alberta and Quebec, whereas a co-managed arrangement exists in Newfoundland, Nova Scotia and BC. While some large partners with a national presence, a multitude of

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<sup>2</sup> INAC's program objectives for the Indian and Inuit Affairs Program states "To support Indians and Inuit in achieving their self-government, economic, educational, cultural, social, and community development needs and aspirations."



programs and a sufficient administrative capacity may favour a fully devolved arrangement that gives them the autonomy to deliver programs, other partners may be too small, with limited administrative capacity, to fully offer all required services.

The Department must decide on the intended long term role for HRSDC, in terms of the degree of devolution to its partners for delivery of employment programs, as well as the nature and type of partnerships it wishes to maintain.

### **3.1.3 HRSDC's Role in Community Capacity Building**

**The Department's position on its role in building community capacity requires greater clarity.**

HRSDC defines community capacity building as the continuous process required to foster the pride and appropriate local leadership that allows communities, through their members, to take responsibility for their development. The department's website states that the department plays a major role in assisting communities across Canada to build their capacity. This statement of intent matches up with many operational activities in the region and is in line with demand for assistance that the project team witnessed during field visits. Moreover, community capacity development by governments is an emerging feature of national employment programs.

Despite these statements, the review team found that there is limited operational direction on the nature and degree of involvement. Furthermore, the terms and conditions of the available funding mechanisms, (i.e., contribution agreements), stipulate that funding is not to be used for non-program related activities, which leaves uncertainty among regional program managers regarding the department's role in community capacity development activities. As a result, the department needs to address the issue of community capacity development, and the related objectives, level of involvement and intended results.

Capgemini conducted interviews with delivery staff and managers. The interviews identified positions on both sides of the issue. There were examples of staff in certain regions that believed HRSDC was not in the business of community capacity building, and as a result, they did not support those activities. On the other hand, there were staff in many regions and headquarters that felt HRSDC can benefit from providing community capacity building support; especially for smaller communities where properly skilled and experienced third party service delivery personnel were relatively scarce. They believed that by providing this support, the Department can better ensure that the value delivered to the ultimate beneficiaries can be significantly enhanced. This latter group would provide non-financial support in the form of assistance with proposal writing, design of financial controls, and general advice on service delivery.

The Leading Practice research showed that several organizations support community capacity building to develop service delivery capability. For instance, CIDA and the

UNDP offer funding specifically to assist in capacity development initiatives, such as training for delivery staff. UNDP provides training on specific reporting requirements to its implementing agencies unfamiliar with them, for a nominal fee, which is then built into the total contract value. A similar approach can be adopted by HRSDC whereas HRSDC staff with experience in career planning, for example, can train sponsors for a nominal fee. This would help to ensure that services are provided to beneficiaries consistently and effectively across the country.

### 3.1.4 Flexibility in Program Design

Programs are executed based on prescribed terms and conditions (Ts & Cs) that are approved by the Treasury Board Secretariat. Prior to 1999, most employment program Ts & Cs were quite broad, permitting a wide interpretation of the projects eligible for funding. Subsequent to the audits, many program terms and conditions were rewritten fairly rigidly in order to institute a higher level of accountability and national consistency. This compromised the flexibility to fund projects that would achieve an outcome desired by the department, but not fully comply with the requirements of the Ts & Cs. More recently, some programs, including the Youth programs, have again rewritten their terms and conditions to achieve a more appropriate balance between flexibility for customization and the need for national consistency. However, there remains a desire at the service delivery level to permit some level of customization to programs and projects to meet the needs of the local communities.

The Ts & Cs for Youth programs were recently rewritten to permit multi-year agreements, as does the Homelessness program. Not all programs offer this flexibility yet, presenting a challenge for programs that target recipients with multiple barriers, where numerous interventions over a longer time period may be needed. The Environmental Protection Agency, United States of America (EPA), for example, faced with similar challenges where the effect of certain interventions take longer to realize, allows for varying agreement periods for the same program. This has helped EPA better set expectations, and as a result, achieve improved long term outcomes from its interventions.

The desire for customization is also drawn from the varying labour market conditions. Some areas, such as parts of Ontario and BC, benefit from a rich mix of skilled labour force and a wider variety of experienced sponsors. While others, such as small fishing communities in Newfoundland, or primarily manufacturing-dependent centres like Hamilton, Ontario, face an aging population, scarcity of experienced sponsors and a labour force that is well equipped with the skills needed to obtain jobs in emerging areas of the labour market. Recognizing that the intended outcome of a specific HRSDC program may well be the same for both these groups of recipients, it is desired that the interventions, and the associated instruments used to carry out the interventions are allowed to be different if it makes sense. For example, the Call for Proposal (CFP) process for a specific program may be refined for the latter group to take into

consideration the fewer number of sponsors and their potential capability to meet some of the tough CFP requirements.

The Department needs to decide on the level of flexibility it deems appropriate in constructing terms and conditions for programs. It should balance the level of flexibility with the need and benefits of some level of national consistency required to meet the accountability mandate.

In summary, senior management needs to address these policy issues in order to clarify the department's role in labour market policy, which is a foundation to any delivery mechanism.

## **Recommendations**

### **Labour Market Strategies and Intended Results**

Capgemini recommends that HRSDC set out a clear strategy and directions related to intended results for Employment/Labour Market Programs, addressing the following questions:

- Expected Results (what do we want to have accomplished in 1 year, 3-4 years? – use “Jobs and Savings” or other performance indicators? What are the longer term labour market improvements expected?)
- Targeted Clients (Who do we want to help? – skilled and employable people and/or underemployable people with multi-barriers)
- Operational Strategy (How do we get there?)

### **HRSDC's Role in Service Delivery**

Capgemini recommends that HRSDC define the Department's long term role and that of its partners (both existing and potential) in the delivery of labour market programs toward achieving the end-state, once defined. The following considerations should be made:

- Types of partnerships: collaborative or otherwise
- Role of HRSDC in program delivery: ranging from fully devolved to direct delivery

Capgemini recommends that HRSDC develop a business case to further assess the long term integration with federal government departments for the Shared GoC Administration of Gs&Cs.

### **Community Capacity Building**

Capgemini recommends that HRSDC define and clearly communicate its role in community capacity development within its broader service delivery strategy. If a decision is made to support community capacity building, the department should develop the necessary support framework to ensure consistent service delivery.

### 3.2. Delivery Mechanism

Capgemini conducted an analysis of alternative delivery mechanisms and models. The following five (5) options were initially considered:

- Results-Based Contribution Agreements;
- Service Contracts;
- Grants with Conditions;
- Direct Delivery through repatriating services currently contracted by HRSDC and performed by third parties; and
- Shared government administration of Gs&Cs with other government departments.

They are described below:

**Results-Based Contribution Agreements:** This option proposes a different emphasis for contribution agreements as they are used today. Results-Based Contribution Agreements focus more on results and would include more conditions that are performance related and fewer conditions related to eligible expenditures. This option will also better balance controls with results and risk exposure. These agreements will rely on 'smart' controls, including some simplification and flexibility in the process controls to match the risk of the investment.

**Service Contracts:** This option proposes the use of Service Contracts where HRSDC would enter into an agreement with a person or firm to provide a service (or provide special expertise not available in the Public Service) on behalf of the Department for appropriate consideration. This may involve multi-year contracts. The process for contracting services would comply with the federal government Contracting Policy, along with the establishment of service level standards.

**Grants with Conditions:** This option proposes the addition of some conditions attached to the grant, for reporting how the funds were spent. It is important to note that the Transfer Payment Policy acknowledges the use of Grants with conditions but does not provide corresponding guidelines. Conditions attached to Grants would be based on results to ensure overall integrity in the program. For example, for a Summer Career Placement program, the conditions may require the recipient to demonstrate that the young Canadian was hired for the duration of the summer and that there was no layoff to hire the student. Furthermore, instalment payments can be used such that the final instalment payment is paid only when all conditions are met.

**Direct Delivery through repatriating services currently contracted by HRSDC and performed by third parties:** In contrast to the preceding options, this option explores the repatriation of services currently performed by third parties in support of program objectives. Repatriation of services ranging from needs determination to the full lifecycle of Employment Assistance program delivery is considered as part of this option. However, this would exclude programs delivered under the fully devolved LMDAs.

**Shared government administration of Gs&Cs with other government departments:** This option proposes the creation of a virtual organization that will assume the administration and management of grants and contribution agreements for several government departments<sup>3</sup> including HRSDC.

**Table 2: Alternate Delivery Mechanisms and Models Reviewed**

The advantages and disadvantages of each mechanism were assessed and are presented in Appendix D. The options were assessed against six assessment criteria, described in Appendix E.<sup>4</sup> Based on the evaluation of the assessment criteria, results-based

<sup>3</sup> The participating departments could include programs supported by Industry Canada, Health Canada, Indian and Northern Affairs Canada, Canadian Heritage, Passport Office, some Canada Post (electronic services), some Justice Canada services and other organizations, as appropriate.

<sup>4</sup> Through the course of the review, the assessment criteria became less important than other issues, such as the strategic issues discussed earlier in the report. However, they were used as guidance to evaluate and compare the delivery options.

contribution agreements, service contracts, grants with conditions, and eventually the shared Government administration of Gs&Cs, satisfy the highly rated assessment criteria of client-centric service delivery, accountability and efficiency and effectiveness.

Direct delivery through repatriation was deemed cost-prohibitive and not a viable option for the Department at this time. In addition to the departmental staffing and related costs, there may be a requirement to increase the level of funding to the fully devolved LMDA holders for an equal increase in the operating resources allocated to them. Shared government administration, although a viable option, constitutes a long-term strategy for implementation in 2007, and therefore, it falls outside the scope of this engagement. As a result, these options are not discussed in detail.

The three key delivery mechanisms, results-based contribution agreements, service contracts and grants with conditions, are all viable options for HRSDC. Results-based contribution agreements and service contracts are appropriate mechanisms for how well they meet the key assessment criteria of client service and accountability for results. One of the main differences between the two mechanisms is the change management required. Changing to a service contract process would be much more significant than that required for the results-based contribution agreements. New processes and skills would be required to understand and manage service contract relationships. This would involve a significant cultural change for the Department. Grants with Conditions ease the burden for recipients and simplify the process for HRSDC. The tradeoff in that case is a reduced ability to account for detailed spending.

The selection of a new delivery mechanism will impact current partner relationships. Certain mechanisms may suit some partners better than others. A delivery mechanism such as a service contract requires potential partners to submit detailed proposals that are subject to evaluation. Partners, unaccustomed to writing proposals, may not prepare high quality proposals to score sufficiently high to receive a contract, despite their relevant knowledge and experience. These partners would likely include smaller organizations with limited support resources. Smaller organizations tend to offer new and innovative ways of achieving results. These partnerships may be replaced by larger national organizations who lack a local or, in particular, a rural presence. The decision to select a delivery mechanism should be made while fully understanding the effects on partner relationships and rural presence.

Selecting the appropriate delivery mechanism will largely depend on the program. Certain key characteristics of a program will determine the most appropriate mechanism that best reflects the overall risk exposure for that program. For instance, grants with conditions would be appropriate where the funds provided to the beneficiary under that program are of a low monetary value. This introduces some tolerance for risk since some controls are relaxed. However, the reduced level of control is more aligned with the risk exposure of the program.

The following table identifies the key characteristics of the program where each mechanism would be appropriate. Examples of existing programs that may be appropriate for each mechanism are suggested.

MECHANISM	CHARACTERISTICS – WHEN TO USE MECHANISM	POTENTIAL PROGRAMS
Results-Based Contribution Agreements	<ul style="list-style-type: none"> <li>• Payment is significant in monetary value</li> <li>• Sponsor’s current operations and goals match the Department’s program objective.</li> <li>• Sponsors should be receiving funding from other sources.</li> <li>• The Department’s contribution should help the sponsor achieve their desired results.</li> <li>• Recipient owns the results.</li> </ul>	<ul style="list-style-type: none"> <li>• Job Creation Partnerships</li> <li>• Youth (Youth Awareness, Career Focus)</li> <li>• Homelessness</li> <li>• Learning &amp; Literacy</li> <li>• Human Resources Partnerships</li> <li>• Labour Market Partnerships</li> </ul>
Service Contracts	<ul style="list-style-type: none"> <li>• Organization is delivering this program on behalf of HRSDC.</li> <li>• The Department owns the results.</li> <li>• Organization is not receiving any other funding to deliver this program</li> </ul>	<ul style="list-style-type: none"> <li>• Employment Assistance Services</li> <li>• Self Employment</li> <li>• Youth (Skills Link)</li> <li>• Research &amp; Innovation</li> <li>• Programs delivered through Community Coordinator model</li> </ul>
Grants with Conditions	<ul style="list-style-type: none"> <li>• Low monetary value</li> <li>• Short durations (1 year)</li> <li>• Recipient is accountable to the Department for compliance with the minimal conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Summer Career Placement</li> <li>• Skills Development</li> <li>• Self-Employment (income support portion)</li> <li>• Targeted Wage Subsidy</li> <li>• Research Grant for Homelessness</li> </ul>

**Table 3: Mechanism Characteristics**

A thorough review of each program and the appropriateness of the mechanisms is needed to validate the suggested programs. In some cases, results may be difficult to identify and attribute to particular interventions, such as in the Homelessness program where the total reduction in homelessness in Canada's population cannot be reliably tracked. It may be appropriate to continue to use the current model of contribution agreement for these projects.

The characteristics presented above are applicable where one mechanism is selected for use by a particular program or sub-program. A menu-driven model may be used where the mechanism is selected based on the individual *project* characteristics. This would provide the Program Officer with a choice of mechanisms for each project being considered. Capgemini does not recommend this approach as it is deemed to be unworkable and overly complex. Significant judgment is left with the Program Officer to determine which mechanism is most appropriate and will require the Program Officers to manage separate processes and apply them correctly to separate projects within the same program. The complexity of dealing with two different funding sources within the same program creates a significant barrier to this approach.

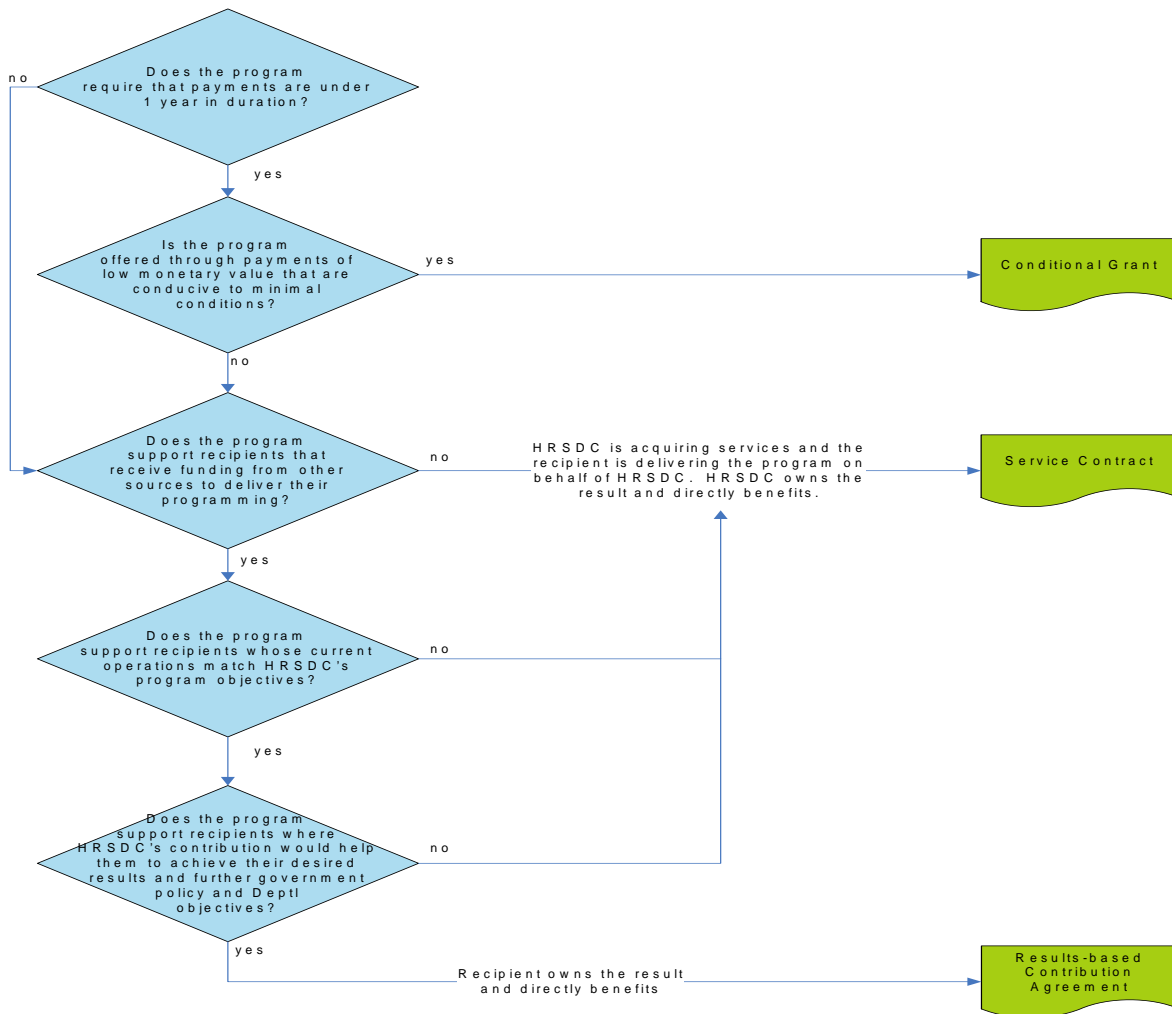
### **Recommendation**

Capgemini recommends that HRSDC use the following three mechanisms as potentially viable service delivery methods: results-based contribution agreements, service contracts and grants with conditions.

Capgemini recommends that HRSDC conduct a thorough review of each program and determine the appropriate delivery mechanism by program. In conducting this review, the department needs to consider the effects on partner relations and its rural presence.

### **Illustrative Decision Tree to Select a Delivery Mechanism**

The following decision tree illustrates some possible key business rules and logic to guide in the selection of an appropriate delivery mechanism by program:



**Figure 3: Sample Decision Tree for Selecting Delivery Mechanism by Program**

This decision tree is presented for illustrative purposes. A thorough testing of its effectiveness should be conducted before applying to all programs.

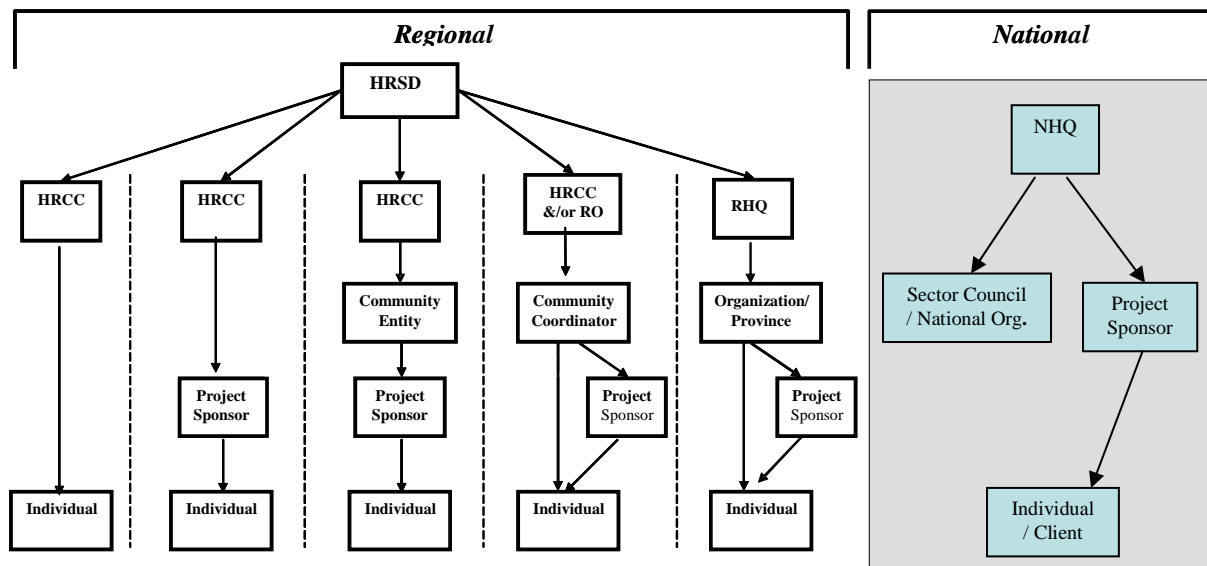
### 3.3. Organizational Delivery

**While some flexibility to address regional variations in employment needs is a valid tactic, there should be greater direction from NHQ on the level of flexibility and asymmetry that is permissible. In the absence of this direction, we noted inconsistencies among regional program delivery and service levels.**

The current HRSDC delivery structure for Gs&Cs programs is tied to the unique regional, and at times local, conditions in place. Delivery occurs at national, regional and local levels and structures within each office differ significantly. Grant and contribution programs are administered and delivered by National Headquarters, Regional



Headquarters and HRCCs either directly to individuals or organizations, or through partners. Many of the relationships are presented in the figure below.



**Figure 4: HRSDC Grants and Contributions Delivery Network**

As presented in the figure above, there are many different partner relationships in place in delivering employment programs. HRSDC's extensive network of partners includes provinces, municipalities, aboriginal organizations, community groups, the voluntary sector and sponsors, both private and not for profit entities. These partner relationships vary significantly, where the departmental role can range from minimal to extensive in the delivery of employment programs. The partner relationships also vary from region to region. Some regions use Community Coordinators extensively while others do not. Some regions use community entities while others do not. The nature of the partnerships is driven largely by the existence and willingness of partners to assume the various responsibilities and accountabilities for delivering services. For instance, entities in British Columbia coordinate and allocate funds for various employment assistance services. In Alberta, community entities such as the Calgary Homelessness Foundation and the Edmonton Joint Planning Committee were already in existence in some municipalities, providing an excellent forum to set priorities and approve projects for HRSDC funding. These entities are not in place in all regions.

For the delivery of EBSM programs, the Department has entered into Labour Market Development Agreements (LMDAs) with all provinces and territories, except Ontario. The LMDAs vary significantly from agreement to agreement in the degree of devolution of control. Some agreements are fully devolved, where HRSDC's role is minimal except for the allocation of block funds. The responsibility for ensuring that the funds are spent as intended is transferred to the province since the department does not exercise any additional control over the types of expenditures for which payment is used. Other

LMDAs are considered to be co-managed where both HRSDC and the province/territory jointly plan the allocation of funds. The degree of participation also varies from agreement to agreement. For instance, the province of British Columbia is involved periodically to establish priorities and allocate funds among programs. In contrast, the province of Newfoundland is closely involved in all stages of allocating funds right down to approving individual projects. Joint approval boards have been established in that case. The status of the current LMDAs is identified in the table below.

Province / Territories	Co-managed	Fully Devolved
Ontario	<i>Does not have an LMDA</i>	
British Columbia	X	
Alberta		X
Quebec		X
Newfoundland	X	
Nova Scotia	X	
New Brunswick		X
PEI	X	
Manitoba		X
Saskatchewan		X
Northwest Territories		X
Yukon	X	

**Table 4: LMDAs**

In addition to asymmetry in program delivery, there are differences in the classification and level of authorities of program officers managing grants and contribution programs. Furthermore, project approval thresholds for a specific classification level vary among regions. This presents inconsistencies in the level of experience and training required and received, and can have an effect on the consistency of client service.

In the leading practices study for this assignment, we found that the EPA has instituted a consistent certification program whereby every program officer must undertake and obtain re-certification every three years. This not only ensures a smooth on-boarding program for new recruits, but equally important it, also ensures that staff are at a consistent capabilities level at all times. HRSDC may benefit from augmenting its existing training programs with such an ongoing certification program – especially for its client-facing staff. This would also help to ensure a level of national consistency in client service.

The significant asymmetry in the delivery of employment programs has contributed to some communication concerns between national and local programs. Some employment programs are delivered nationally, such as Learning and Literacy and Human Resource Partnerships, which deal with national and international organizations. Through discussions with delivery staff in the regions, Capgemini learned that information about funded projects from nationally delivered programs was not always well communicated

to the regions. Delivery staff in the regions were sometimes unaware that in addition to receiving funding from the local offices, some partners were also receiving funding from national headquarters. Existing communications among the offices need to be enhanced to address this concern.

While important work is required to address consistency of service delivery, there are at least two initiatives underway to improve the delivery network: Specialization and Concentration and an In-Person Service Project.

The Specialization and Concentration initiative is a major initiative for the Department. Phase I introduced enhanced controls over segregation of duties, internal review committees, processes to select sponsors and enhanced financial control. Phase II, which is currently underway, will establish a new organizational model to facilitate increased concentration and specialization of complex functions into front-end and back-end activities. This new model aims to strengthen competencies, introduce greater consistency of approach and better quality decision-making. The model supports specialization by assigning staff to a specific set or bundle of program administration functions thereby enhancing program integrity and enabling staff to develop advanced competencies in certain skill sets.

In addition, under the proposed model, program delivery and administrative functions are concentrated to specific sites to enhance efficiency, standardization, quality and client service. This initiative supports a more balanced control framework with a realignment of key financial controls primarily with the “back-end” office and accountability for results primarily with the “front-end” office. The changes arising from specialization and concentration and the increased focus on results should produce some reduction of the administrative burden for program delivery staff without significantly increasing the Department’s risk. The changes may also provide an opportunity to concentrate certain processes related to particular mechanisms. For instance, a specialized expertise may be developed in one specific site on the initiation and management of a tendering and evaluation process required for service contracts. This new approach will enable a greater focus on areas of high risk, instead of treating projects of all degrees of risk with roughly equal vigour.

At the same time as this review of Grants and Contribution programs, the departments of HRSDC and SDC are implementing improvements to the In-Person<sup>5</sup> service delivery to ensure consistent delivery of services among the approximately 300 HRCCs in the network. Changes to the grants and contribution program delivery network will require communications and integration with this effort.

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<sup>5</sup> As a part of the HRSDC-MSI Initiative, In-Person is one of the channels of service deliveries being studied.

## Recommendation

Capgemini recommends that HRSDC continue its specialization and concentration initiative which will clarify the scope of permissible flexibility and asymmetry that can exist within the current service delivery network and help to better balance controls, risk management and results.

### 3.4. Process and Delivery Network Efficiencies

As stated earlier in this report, any changes to the delivery mechanism (service contract, results-based contribution agreement or grants with condition) should be preceded by important changes to the processes used. To that end, the study found that the current level of control is not aligned with the level of risk associated with many of the projects reviewed and furthermore the over-emphasis on financial monitoring has a detrimental effect on ensuring that the intended results are achieved.

In response to a number of audits and reviews conducted since 1999, the Department increased the level and type of controls and instructed program managers to address risk issues with greater scrutiny. Many new controls have been introduced in recent years, however, observations and management representations by regional and NHQ managers showed that little assessment of the impact on business operations was made.

In 2002, the department introduced a revised internal control framework for Grants and Contributions. Many of the controls incorporated direction and advice from the Office of the Auditor General and TBS and, therefore, are based on solid accountability principles. Further control modifications to ensure that key information and steps have been conducted before payment is authorized include standardized forms and automated checklists, full compliance claims monitoring and automated controls and risk assessments found in the Common System for Grants and Contributions.

While the control framework provides important levels of control, and in turn ensures accountability for funds used, it is apparent that the emphasis on financial controls has a negative impact on the achievement of intended results. In fact, HRSDC is experiencing a form of process 'strangulation' caused by the imposition of over-control, irrespective of the level of risk associated with the file. Moreover, we noted that this emphasis creates a behavioural response among departmental employees whereby, their focus is weighted heavily towards financial monitoring with insufficient attention to project results. For instance, a low value monetary transfer is too often subjected to the same or similar application process that a more complex and high value monetary transfer is subjected to. The level of review and approval is essentially the same for a \$1,800 project, as it is for a larger and, likely riskier, \$50,000 project.

Through the regional visits, Capgemini observed that the project monitoring form had nearly 80% of its questions dedicated to expenditures assessment, while only 20% of the questions addressed results assessment. Business processes and the ensuing monitoring exercises have an effect on human behaviour in that the indicators typically drive

performance. Capgemini was informed that delivery staff focus on financial detail and challenge claimed expenditures for small dollar items such as stamps and water cooler replenishing contracts. The Department is not receiving value for money when staff are devoting an inordinate amount of time to such insignificant activities. Such activities also drive the behaviour of the broader network of resources within sponsors and community coordinators who must strive to meet this stringent financial scrutiny. The greater loss, under such circumstances, is to the ultimate beneficiaries of various program interventions who suffer from delayed processing that result from undue stringency.

The current state of the process and control framework clearly is in response to audit observations and recommendations for the Department to strengthen process controls over its grants and contributions, which were previously lacking. The Department is recognizing that perhaps the pendulum has swung too far toward strict financial control without the proper balance to risk management and results. Efforts are being made to rebalance controls to risks and results. The Specialization and Concentration initiative is working on redesigning the Department's organizational structure in order to refocus delivery processes on results, while ensuring national consistency and accountability. A project is being piloted to streamline the administration of overhead costs. Some forms have been simplified through other MSC initiatives. Continued attention to improve the Department's risk management framework and move toward 'smarter' controls is needed.

### **3.4.1 Risk Management Framework**

**There has been limited implementation of an integrated risk management approach at the project level.**

As evidence, we found that the current risk management framework is not sufficiently responsive to take into account such important factors as sponsor history, the value of the agreement, complexity of the project and percentage of sponsor funding the agreement will provide, to assess the overall risk of the project. In many cases, projects of varying degrees of risk end up being monitored in the same manner. Trusted and long-term sponsors are required to conform to the same degree of control as new or less reliable sponsors. These sponsors have proven records of accountability and success and are therefore less likely to abuse program funds. HRSDC could benefit from refining controls and reporting requirements on these sponsors with a degree of confidence that their previous ethical practices will continue.

At present, sponsors are required to account for expenditures on minute items or changes to the original agreement. One example was described whereby the sponsor was required to submit a laborious amendment to the contribution agreement to enable funds originally assigned for a computer desk to be used to purchase a bookshelf instead. Such controls affect the amount of time and resources that Program Officers responsible for administering the agreements and sponsors responsible for accountability are able to

devote to actual service delivery. Program Officers also have described instances whereby potential high-quality sponsors decide not to access program services due to the level of effort required to comply with the controls of the agreement.

The leading practices research identified how other organizations addressed similar challenges. Heritage Canada and CIDA have adapted the TBS Risk Management framework to fit the unique mandate of their organizations. Their versions of the framework allow for flexibility in the application of controls based on the unique characteristics of each project. EPA leverages an adaptive risk management framework to guide the level of scrutiny required, based on various factors such as contract value and past performance of the service provider, using a weighting approach. Samples of recipients are chosen randomly for review of varying detail, from an informal review of results and deliverables to a detailed on-sight review of financial transactions. If the results of these reviews are not satisfactory, an EPA representative may request a formal audit be conducted. CIDA and UNDP use an outcome-based results measurement process that places significantly more focus on the intended outcome of the interventions and less emphasis on the results achieved, as long as broad guiding principles for allowable expenses are adhered to.

A similar framework would enable HRSDC to lower overall monitoring and administration costs without a significant increase in its exposure to risk. A more finely differentiated risk management framework would identify low risk projects with less likelihood of abuse and HRSDC could adjust its control measures accordingly. An example of a flexible risk management approach is discussed as part of our recommendation. It is designed such that it generates a risk profile or score based on the various risk factors input, but sufficiently flexible to allow the program officer to modify the risk score to better reflect the project risk. Any modifications would be reviewed independently to ensure changes to the risk exposure are valid, approved and documented.

Based on the discussions with program delivery staff, several observations were made on the current risk management framework in place for employment programs.

### **Insufficient attention is given to the good performers among service providers.**

In any business environment involving partners and clients, there are those that follow the guidelines and rules of engagement satisfactorily and there are those that do not. Fortunately, the percentage of the good performers is far higher than the latter group. When control measures required to contain the risk with the latter group are enforced for the good performers, it contributes to reduced client satisfaction levels with the good performers, and more importantly, increases the overall operations costs significantly.

Lessons learned from financial institutions include the adoption of a multi-tiered client segmentation model. The good performers at financial institutions are rewarded, for example, by simplified loan applications and higher loan limits. On the other hand, the

applicants with less than satisfactory credit rating histories are required, for example, to provide guarantors and to undergo lengthier application processes which are created to contain the level of risk exposure to the institution.

A similar model could be adopted for HRSDC's sponsors. There are many sponsors who enjoy a long and successful history with the Department and have staff with professional accounting designations that ensure a higher level of financial management. It can be justified that these good performers be reviewed less frequently than higher risk partners.

**The impacts of the current imbalance among controls, risk and results on the operational effectiveness of the Department are significant.**

It must be recognized that most of the beneficiaries of HRSDC programming are already affected by unfortunate life events. Some of them have lost jobs and need immediate financial assistance to support themselves, others are homeless and need meals and shelters. If their experience in obtaining these crucial social services is a prolonged and difficult process, they may turn away from seeking assistance. Instituting a consistent, expedited and transparent process is crucial to instilling the faith in the beneficiaries that their government is effectively meeting their needs.

Secondly, there is an adverse effect on the morale of the staff at HRSDC, especially those who perform client/sponsoring facing activities. HRSDC staff are committed to the social mandate of the Department, being guided by social, moral and ethical principles that are embedded in social services organizations. They want to help people - especially those that are suffering from difficult life events such as job loss - improve their livelihoods. The process encumbrances and diminished focus on results and outcomes become hurdles in their personal mandate in helping the unfortunate. This results in low morale among staff. An organization that breeds a work environment with high staff morale directly benefits from improved productivity. One that does not, suffers from diminished productivity. Finding the right balance among process controls, risks and results will help improve the staff morale.

Lastly, the broader objective of ensuring proper accountability is not fully met. Accountability is not limited to financial accountability alone. It includes accountability for results. The primary focus of an intervention must always be the intended results. An ongoing effort is required to assess if the intended results and benefits to the beneficiary for each intervention exceed the cost of delivering that intervention. Accountability also includes proper stewardship of expenditures. Dollars spent to monitor an initiative should not exceed the dollars spent to implement an initiative. The anecdotal evidence gathered during the program review indicates that there are cases where this is taking place.

The current risk management framework needs to consider additional factors to fully assess the overall risks of the project. Additional factors could be considered such as the partner's previous performance, the maturity of their internal control processes and

financial training of their financial managers. With a truer assessment of project risk, the Department can better identify the required controls to manage the risk.

### 3.4.2 Rebalance of Controls, Risks and Results

The right balance between control, risk management and results is essential for optimal service delivery. Just as too few controls can compromise the results and present risks to an organization, too many controls can hamper the effective operations of an organization. The following figure illustrates the current state of the administration of grants and contributions. It also provides a depiction of the desired future state where the concerns with the current state are mitigated.

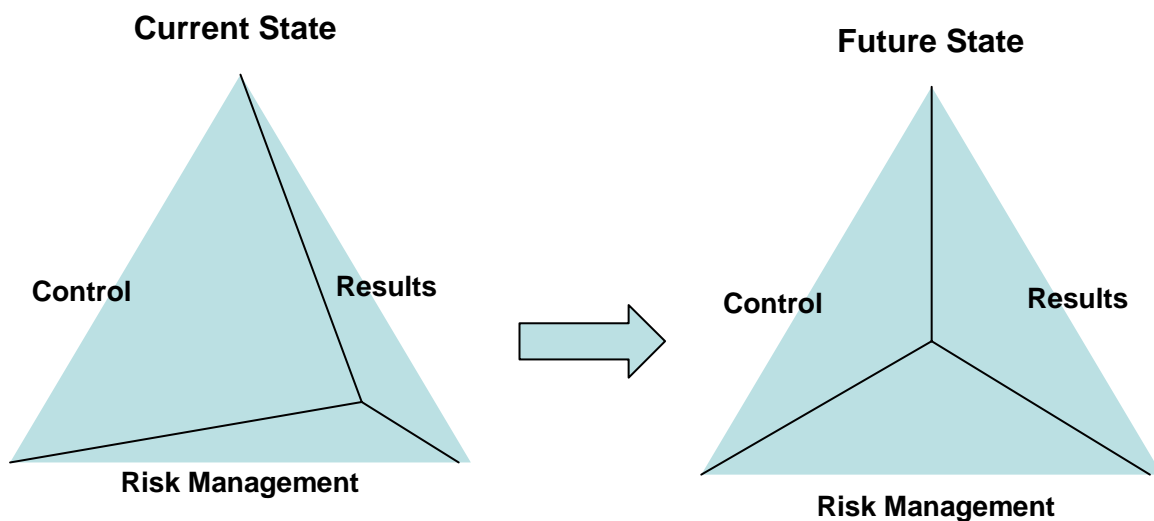


Figure 5: Balance of Controls, Risk and Results

As shown in the triangle on the left, currently, there exists a greater emphasis on the controls. The triangle on the right depicts an equal emphasis on all of the three factors.

Achieving the right balance of controls, risk and results is not an easy task. Political sensitivities influence this balance greatly. HRSDC must reassess its tolerance for risk and accept lower controls where it makes sense.

Fundamentally, the risk culture of the organization needs to change, such that the Department is willing to better balance the level of controls to the risks and results of the project, and considers moving toward some 'smarter' controls and simplified processes.

### 3.4.3 Smart Controls

There is a need for a move toward 'smarter controls', such as reduced processing forms and reporting requirements, to better match the level of information required with the size



and complexity of the project. Smart controls focus on the particular risks of the project including the risk of non-performance and/or the risk of misspending. This would increase the efficiency of the program allowing program managers more time to assess and manage riskier projects. Placing a more balanced emphasis on results, may allow some controls to be relaxed. For instance, the following can be considered:

- In the Application phase of the Internal Control Framework for Grants and Contributions (ICF), introduce short forms and templates that can be used by programs with lower monetary value and low risk.
- In the Assessment phase of the ICF, lessen the information requirements from sponsors with established track records with HRSDC. For instance, sponsors could be exempted from supplying reference letters when they have maintained a successful relationship with HRSDC and achieved results over several years.
- In the Agreement phase of the ICF, introduce a minimum set of agreement clauses that are “must-haves” for all agreements within a particular program, designed to meet the program mandates, reporting requirements and accountability measures. Introduce a second set of project requirements that are optional. Those partners with low project risk could have only the mandatory set of terms and conditions, while higher risk projects could have several of the optional project requirements included in their agreements.
- In the Monitoring phase of the ICF, introduce sampling in the monitoring of financial claims instead of 100% monitoring, considering key risk factors such as: complexity of the project, potential for mis-reporting, maturity of the sponsor internal control framework, previous error rates of the sponsor.
- In the Monitoring phase of the ICF, for arrangements of low monetary value, conduct a single monitoring review at the end of the program. For example, for the Summer Career Placement program, a T4 may provide sufficient evidence that the student was hired for the required period of time.
- In the Monitoring phase of the ICF, use exception reports from the Common System for Grants and Contributions, that would identify when calculated risk levels have been modified, as described in the example of a risk management framework presented as part of our recommendation. These reports would need to be independently verified to ensure controls are not circumvented without appropriate approvals, while still permitting some flexibility for the Program Officer.
- In the Claims Processing/Payments phase of the ICF, introduce quarterly financial claims instead of monthly claims.

There are two additional key components of the ICF: the active participation of the Internal Audit and Risk Management Services (IARMS) provides an objective assessment of risk and controls for Grants and Contributions management; secondly, the role of program evaluation is fundamental in ensuring that the results achieved are aligned with the stated objectives.

In addition, some HRSDC programs, i.e., Youth and Homelessness, use, and benefit from, multi-year arrangements, as do many other organizations. INAC, Industry Canada, CIDA, UNDP and EPA leverage multi-year arrangements that range from 2 to 4 years

and have appropriate levels of monitoring, milestone-setting and results tracking embedded into the contract management process. Multi-year agreements would reduce the pressure on the annual business cycle and free up Departmental resources to be more involved in assessing community needs. The use of multi-year agreements would also be desired by recipients as it would reduce the volatility of funding for recipients and relieve them of some administrative burden of an annual application process. This would allow sponsors more time on program delivery and put them in a better position to achieve HRSDC needs. Some other HRSDC program terms and conditions permit multi-year agreements, but annual agreements tends to be used.

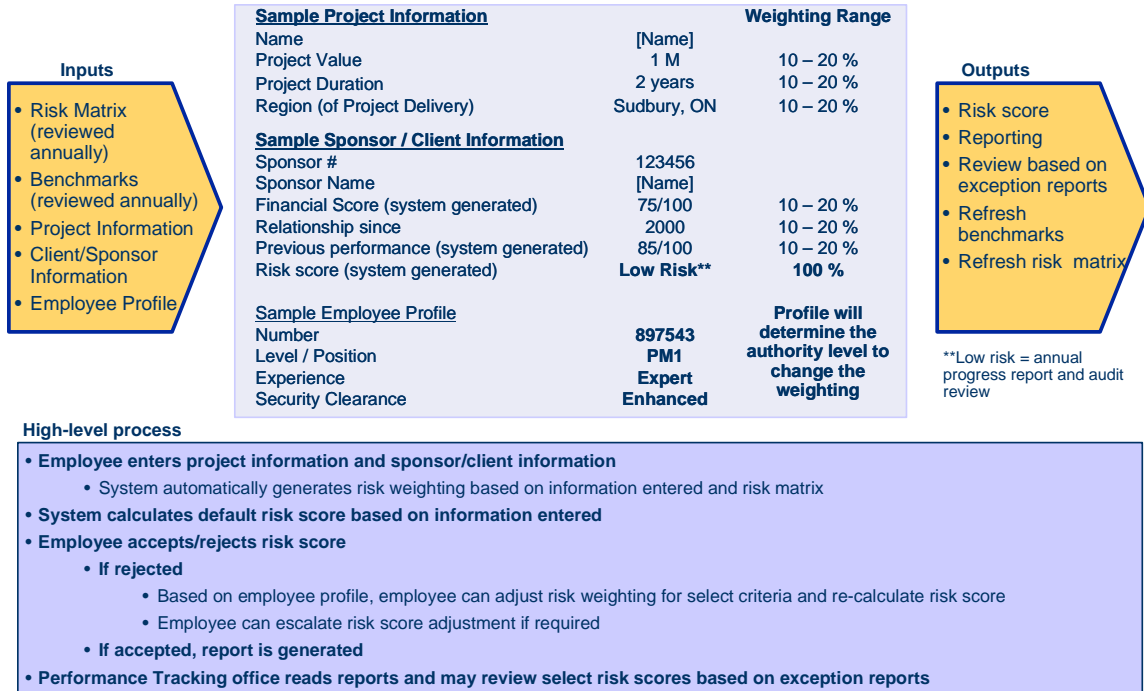
The efforts being made in the Specialization and Concentration initiative will contribute to a move toward smarter controls. The Department must continue to seek a better balance of risks to controls and consider moving toward some ‘smarter’ controls and simplified processes.

### **Recommendations**

Capgemini recommends that HRSDC re-balance controls to match the risk and results of the program through the use of a more robust risk management framework allowing risk differentiator and new funding mechanisms.

### **Illustrative Project Risk Management Framework**

This illustrative framework was developed to help guide the Department in implementing a more robust risk management framework. It builds on the risk assessment methodologies in the Common System for Grants and Contributions. The illustration presents a summarized risk management framework that takes into account the project information, client/sponsor information and employee profile. This example demonstrates an approach that would allow HRSDC some flexibility to weigh the importance or relevance of some risk factors to better represent the risk associated with the agreement. A weighted risk score would be automatically calculated. The Program Officer can either accept or reject and modify the score based on their assessment of the overall project risk. The level of flexibility and latitude given to the program officer will vary according to their personal and regional authorization levels, based on their past performance. Any modifications to the risk score would be independently reviewed, perhaps by the Performance Tracking Directorate, to ensure that changes to the risk exposure are valid and adequately documented. Current departmental practice calls for review to be performed by the delegated signing authority, and the assessment committee in terms of high-dollar projects.



**Figure 6: Illustrative Project Risk Management Framework**

## 4. Leading Practices Study

Many international organizations have undertaken ongoing reform and improvements to the delivery of grants and contributions. Clearly, HRSDC has important and unique issues to consider, however, there are many examples of leading practices in other jurisdictions within the Canadian government and foreign countries that should be considered by HRSDC for implementation.

Some of these organizations that make use of Gs&Cs, or similar instruments, for the selection, allocation and management of funds were consulted to research and identify leading practices.

The following organizations were consulted:

### 1. Other Government Departments:

- a) Indian & Northern Affairs Canada;
- b) Canadian International Development Agency;
- c) Health Canada;
- d) Canadian Heritage;
- e) Industry Canada;
- f) Agriculture and Agri-Food Canada; and
- g) Government of Alberta

### International Organizations<sup>6</sup>

- a) Environmental Protection Agency, US Regulatory Agency;
- b) Department of Work and Pensions, UK Government; and
- c) United Nations Development Program, a Global International Development Agency.

For each of the above organizations, in addition to researching alternative delivery models, some of the major processes for grants management were reviewed at a high level, including: application, eligibility requirement, award and notification, issuance and monitoring, progress review, and funding closeout requirements.

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<sup>6</sup> Please note that while we originally intended to include Department of Education and Skills (DfES), UK Government, as a part of the study, after our initial discussions with DfES it was evident that a different UK Government department, Department of Work and Pensions (DWP), was a better fit. Subsequently, DfES was replaced with DWP for this study. Please also note that the Department of Employment and Workplace Relations (DEWR), Government of Australia, was excluded because despite our repeated efforts to contact resources at DEWR, through our internal and HRSD contact points, no response was received from DEWR.

Key findings from the leading practices study indicate that many of the organizations consulted leverage a series of business processes that are applicable to HRSDC in improving its program delivery. Some key examples include:

- Instalment payments are tied by CIDA to some of the expected outcomes for the initiatives CIDA funds through grants. This has helped instil a results-oriented approach within CIDA while ensuring accountability requirements are not jeopardized.
- EPA makes use of an adaptive risk management framework to identify which initiatives require enhanced levels of monitoring. This is based on the past performance of the recipient organization and the contract value and complexity of the program being funded. This has helped EPA in fine-tuning its monitoring efforts to ensure that appropriate levels of controls are in place for the initiatives that require it.
- UNDP leverages community-driven needs determination for its programming. Given the global nature of its target audience, UNDP acknowledges that the people closer to the interventions are in a better position to develop and monitor the programming than a centralized body that is headquartered in New York. As a result, it leverages its extensive in-country network of offices worldwide to identify the development needs for a particular country and support these offices in implementing the interventions to meet the overall program objectives. While the headquarter sets the overall program mandates, for example, with a children’s education program, the actual implementation approaches and expected outcome determination is left to the country offices. How this program is implemented in India, for example, may be substantially different from how it is implemented in Sudan. This approach has enabled UNDP to deliver “customized” programming to client segments while ensuring a broader consistency in reporting and fulfilling its global livelihoods improvement mandates.

Shown below is a summary of the key leading practices from the various organizations consulted and how some of these leading practices can be leveraged by HRSDC to improve upon its current program delivery methodologies. Where HRSDC is currently using the leading practice, it is noted.

NO	THEMES	DESCRIPTION	ORGANIZATIONS THAT USE IT	HOW IT CAN BE LEVERAGED BY HRSDC
1	Grants with Conditions	While TBS policy stipulates grants being unconditional payments, several organizations have adopted grants that are enhanced with conditions. These conditions, for example, can be for monitoring and evaluation and tying installment payments to	CIDA, Industry Canada	HRSDC can use grants with conditions for low-dollar interventions such as SCP and TWS. Minimal monitoring and milestone-tied payments can also be incorporated to enhance accountability and better ensure

NO	THEMES	DESCRIPTION	ORGANIZATIONS THAT USE IT	HOW IT CAN BE LEVERAGED BY HRSDC
		milestones.		intended results.
2	Adaptive Risk Management Framework	A framework that allows several factors, such as past performance and contract value, as well as the weighting of these factors to be taken into consideration for risk assessment/management.	Heritage Canada, EPA, CIDA, Financial Organizations	HRSDC can leverage this framework to tailor monitoring efforts and “reward” funding recipients with good track records by lowering reporting burdens to a more appropriate level.
3	Horizontal Integration of Common Processes	Identifying the “common denominators” among multiple organizations delivering programming to the same audience for both front-end and back-end processing.	INAC, UNDP, CIDA, Health Canada	HRSDC can undertake an initiative to identify the “common denominators” with INAC and Health Canada, for example, and co-develop or adopt already-developed streamlined processes, which will result in improved client-centric GOC service delivery.
4	Community-driven Needs Determination and Programming	This approach is founded on the notion that for many social issues, communities are best-suited to identify their needs and, with due assistance, devise the most appropriate interventions. This approach leads to strong buy-in from the target audience and improved potential for achieving intended results.	CIDA, UNDP, INAC, Health Canada, DWP  HRSDC – Homelessness, Aboriginal Programs	HRSDC can leverage this approach for targeted regional/local level Labor Market initiatives. For example, the HRCC in Hamilton, ON, in partnership with local sponsors and stakeholders, can develop programming/interventions to assist the underemployed in this manufacturing community.
5	Menu-driven Delivery Mechanisms	This approach views delivery mechanisms independent from the programming being delivered. The same program can be delivered through different mechanisms based on the unique needs of a particular	CIDA, UNDP, DWP	HRSDC can potentially deliver some of its programs through differing mechanisms. For example, the Self Employment program can be delivered directly to a beneficiary through

NO	THEMES	DESCRIPTION	ORGANIZATIONS THAT USE IT	HOW IT CAN BE LEVERAGED BY HRSDC
		intervention.		grants with conditions or indirectly through a third party with a service contract – based on the unique needs of an intervention.
6	Outcome-based Results Measurement	Re-calibrating the focus from primarily financial measures to a balanced state between both financial and social and economic outcomes.	Health Canada, INAC, EPA, CIDA, UNDP, Industry Canada	HRSDC can institute this approach for all its programming. This will enable the assessment of real results from its interventions, and realign staff behaviours to focus on outcomes-oriented programming approaches.
7	Longer-term Project Design	Designing projects within a multi-year timeframe that can lead to 3-5 year projects with appropriate levels of monitoring, milestone setting, and results tracking, but with the option to opt out if the situation arises.	CIDA, EPA, UNDP, INAC, Industry Canada  HRSDC – Youth, Homelessness, Aboriginal Programs	HRSDC can adopt a multi-year approach for several other of its programs, specifically those with third parties who have strong track records with the department.
8	Mass-customized Programming Approach	This is the capability to provide “tailored” services to end-client segmentations while maintaining an economy of scale and national/broader consistency for program delivery.	Health Canada, CIDA, UNDP	HRSDC can leverage this approach to deliver on NHQ-driven broader goals while allowing regions to tailor its application. For example, an application form can have a number of items that are the same across all regions, and some that vary region to region based on the regional needs.
9	Service Contracts	Usage of service contracts not only when the value delivered is to the Crown, but also for program delivery. Service contracts allow	CIDA, UNDP, EPA, DWP, AAFC, Province of Alberta	HRSDC can leverage service contract for many of its programs that are typically delivered through third parties currently. This

NO	THEMES	DESCRIPTION	ORGANIZATIONS THAT USE IT	HOW IT CAN BE LEVERAGED BY HRSDC
		for contracting flexibilities such as incorporating a management/admin fee that can be used for capacity building. Master Service Agreements can also be leveraged to enhance and streamline the contracting mechanism.		will allow HRSDC to tailor appropriate levels of control and results management.
10	Internal HR Development	Ongoing training and development of internal staff to equip them with necessary skills. Usage of certification programs and resource rotation to enhance skills tracking and cross-pollinating of ideas and best practices.	EPA, Heritage Canada, CIDA	HRSDC can benefit greatly from instituting an in-depth training program, for example, in the areas of Common System, financial controls, and results/outcomes measurement.

**Table 5: Key Leading Practices**

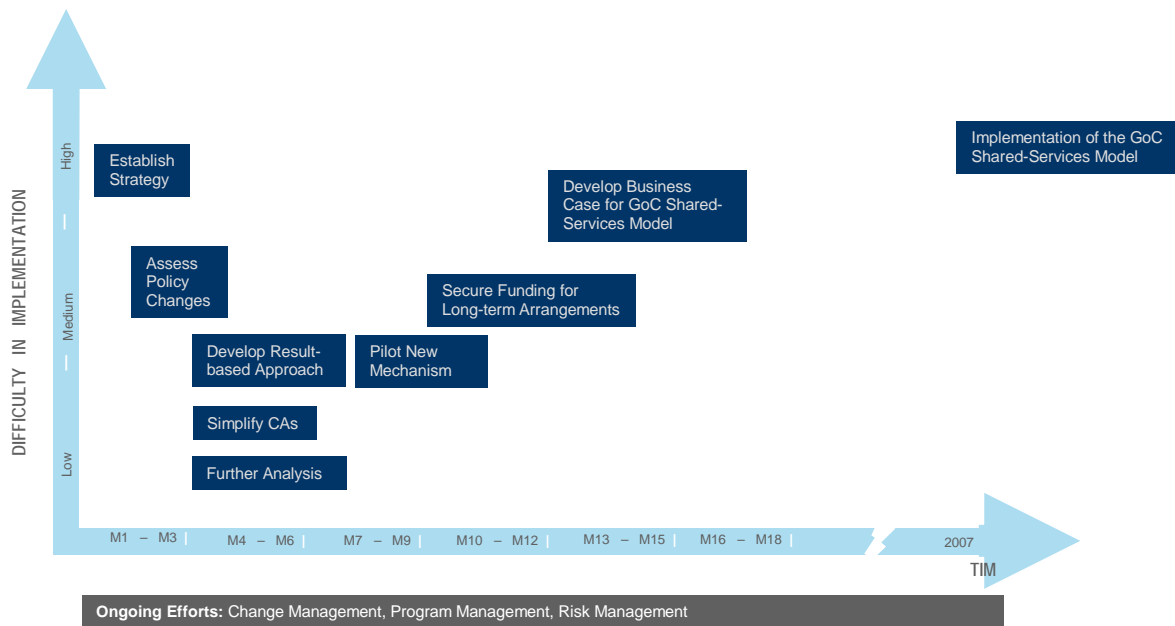
Additional information on each of the organizations consulted and examples of their leading practices are provided in Appendix G.



## 5. High Level Roadmap for Change

There is a significant appetite for change within HRSDC for sustainable transformation of program delivery. Finding the appropriate balance between risk management, control and results will be key to effective program delivery.

The figure below presents a high-level roadmap for change.



**Figure 7: High Level Roadmap for Change**

As shown above, Capgemini recommends the following tasks to be undertaken in the short term (within 12 months) to further the objectives of the Review:

- Establish a strategy for Employment/Labour Market Programs to address the questions of Expected Results, Targeted Clients and Operational Strategy. This strategy would include the following tasks:
  - Define the Department’s long term role and that of its partners in the delivery of labour market programs.
  - Define the Department’s role in community capacity development.
  - Implement an appropriate level of flexibility within the terms and conditions used for program design.
- Determine whether changes to policy are required in consultation with Treasury Board:

- Confirm whether results-based contribution agreements and grants with conditions as defined by the Department can be accommodated within the Treasury Board Transfer Payment Policy;
- the allocation of funds between Gs&Cs and O&M could require changes to permit the use of Service Contracts;
- Internal HRSDC policies and procedures would need changes to address different accountability models, addressing shared governance of projects, results performance and risk tolerance.
- Conduct further analysis of the implementation of new mechanisms (Results-Based Contribution Agreements, Grants with Conditions and Service Contracts) and determine the appropriate delivery mechanism for each program.
- Simplify contribution agreements and develop a results-based approach to rebalance controls to match the risk and results of the program.
- Pilot new mechanisms for specific programs
- Secure greater capacity to allow for multi-year agreements
- Develop a business case for long term integration with federal government departments for the Shared Administration of Gs&Cs.

We recommend that an Integrated GoC Gs&Cs administration and delivery model be implemented, if determined in the business case, in the long term (3-5 years).

## 5.1. Transition Issues

There are a number of transition issues that need to be addressed in order to ensure a smooth migration into the new environment. Some of the key issues include: change management, changes to legislation/policy, process re-engineering/streamlining, definition of intended results, adapting the workforce (HR), and communications. A transition plan must be developed that adequately addresses each of the transition issues.

The most significant of these transition issues are change management and changes to legislation/policy. These are described in detail below, followed by short discussions on the remaining key transition issues.

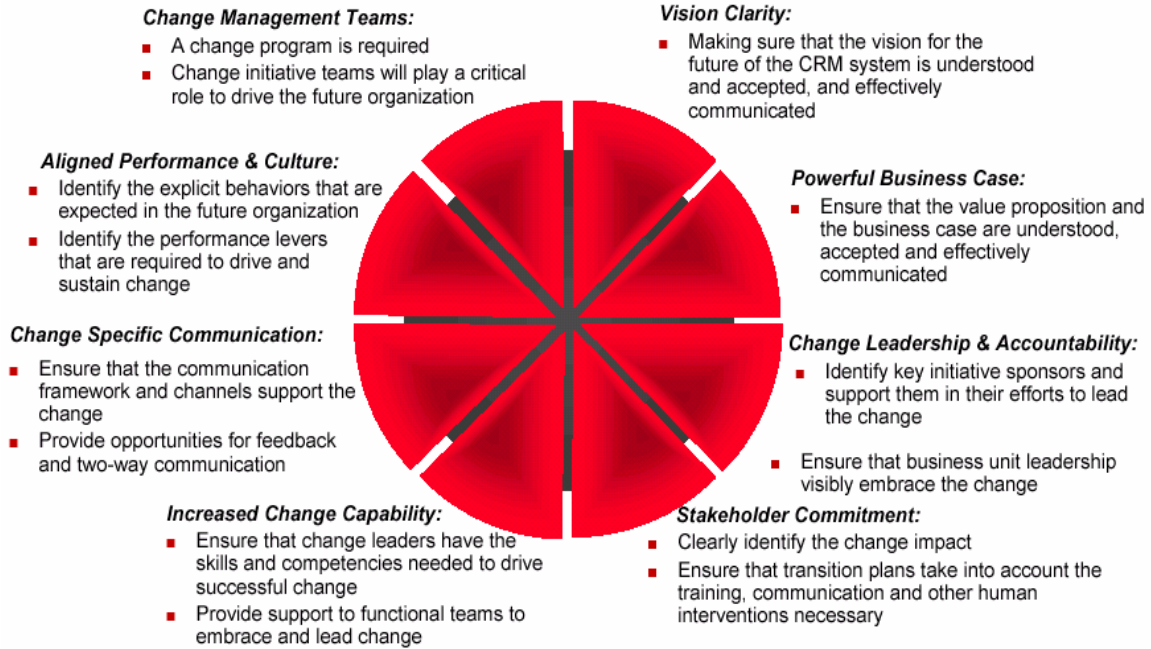
### 5.1.1 Change Management

Regardless of the option(s) selected for implementation or pilot, change management will be required. Successfully implementing new or modified delivery models is dependant on the Department's ability to manage change. Change will impact the organization, its employees, business processes and technology.

The following critical success factors ensure the success of change management by providing a comprehensive checklist<sup>7</sup> to be used throughout and after the change is implemented.

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<sup>7</sup> Part of Capgemini's CollaborativeChange® Transformation Model



**Figure 8: Components of Change Management**

An in-depth analysis of the various aspects of change management depicted above will have to take place first.

- **Change Management Teams:** A formal program should be initiated to coordinate and manage the change associated with service delivery transformation. The proposed service delivery network will require changes to policy, roles and responsibilities of employees, and the development of a performance management framework. Therefore, it is important for HRSDC to identify the steps necessary to enact change and the determine areas and degrees of impact. A formal program will enable consistency of approach, coordination of change related activities, and ensure completeness of the change initiative. Change Initiative Teams should be dedicated to determining the impacts of change on each of the programs and taking the necessary steps to facilitate the adoption of new practices within the programs.
- **Aligned Performance & Culture:** The organization must align its people, processes and technology to reflect a renewed emphasis on delivering results to the Canadian population while ensuring effective stewardship of public funds. This will involve creating a performance management framework that measures the performance of programs and funding recipients to ensure they deliver on intended results. The framework will provide tangible measures to enable HRSDC to optimize its service delivery partnerships, programs and delivery mechanisms.
- **Change Leadership & Accountability:** HRSDC must appoint key personnel to lead the organizational change agenda. These leaders should be senior executives within HRSDC and the organization should make a commitment to supporting them by providing a clear mandate and communicating the importance of the change agenda.

HRSDC must also ensure that branch and directorate leaders are aware of the need and reasons for change and that they understand their responsibility in ensuring the success of the change agenda.

- **Change Specific Communication:** HRSDC must provide clear channels of communication to ensure that employees are prepared for change. Information should be disseminated in a consistent manner from a constant source. The reasons and need for change should be clearly communicated to employees. Employees should also be engaged to provide and receive input throughout the process. This will encourage employee trust and facilitate employee buy-in of the change agenda.

Program specific changes would need to be well thought out. Developing results-based measures is not a trivial task and the success of the change is impacted by the ability to correctly identify desired results and impact behaviour accordingly. When changes are made to specific programs, it is imperative that a transition plan be established to allow for internal and external organizations to adapt to the change. This transition plan should include communication; job classifications; tools and training in administering and managing the new mechanisms; and development of service level standards.

Program delivery of Gs&Cs at HRSDC must recognize the significant differences and asymmetries in accountabilities, program objectives, clients / partners and intended results. The challenge to any new delivery mechanism is to balance the need for consistency with the need for flexibility; and to balance the need for control, risk and results.

There are several competing interests and situations that present challenges to the development of an ideal model. For example, National Headquarters, Regions and HRCCs each respond to unique employment and community circumstances; and the relationships with the provinces and territories are also unique and require flexibility in terms of varying models for program delivery. These situations will have to be managed and incorporated within the change management framework.

### **5.1.2 Changes to Operational Policy**

The current Treasury Board Secretariat and departmental policy include two key aspects that are pertinent to this Program Management Review initiative. The first is the requirement to keep the funds allocated for program delivery separate from those allocated for operations and maintenance (O&M). The second aspect of the policy implicitly dictates what delivery mechanisms can be used for each of the two funding allocation categories. For example, grants and contributions are to be used for program delivery while service contracts may be used for O&M expenditures.

Together, this direction presents a challenge for the effective delivery of some programs at HRSDC. Certain HRSDC programs have the characteristics that make them suitable for administration through service contracts. For example, programs that are primarily delivered through third parties delivering services on behalf of the Department are

particularly suited for the Request for Proposal-based vendor selection process. In addition, where contract values are predominantly determined by the number of beneficiaries a third party serves, delivery through a service contract vehicle that has key performance indicators tied to results is well-suited. However, departmental Terms and Conditions dictate that some of these programs be delivered through grants and contributions since they receive funding from the Employment Insurance allocation.

To address this challenge, there are two key options. The first is to obtain TBS and departmental authority to enact procedural changes to allow for funds movement between program allocations and O&M allocations, as necessary. The second option is to make departmental changes to allow for additional delivery mechanisms, such as service contracts, for the administration of program delivery. Given the restrictions associated with funding allocations, the first option is not as viable a solution. The second option is the recommended choice. Detailed discussions on this change are required among TBS, HRSDC and other departments that may be affected by this change. A more detailed assessment of the departmental change, its implications and the course of actions required to enact this change must be carried out before implementation could occur.

In addition to the changes discussed above, there are several other areas that will require some change. One such example is the allowance of profit in a Results-Based Contribution Agreement (RBCA). Since RBCA stipulates that payments be tied to expected results, it implicitly assumes a level of risk-taking on behalf of the service provider. For it to be effective, risk must somehow be associated with reward. A service provider can only assume some level of risk if there exists an opportunity to make “profit” from its undertakings. Detailed assessment of the changes in interpretation and its implications must be carried out prior to enacting the changes.

### **5.1.3 Process Re-engineering / Streamlining**

The process re-engineering/streamlining activities within a transition plan needs to identify which existing processes require change, define the desired state of the processes, assess the gap, and most importantly, define how the transition from current state to the desired state be implemented. The key driving factor for the process streamlining effort is to develop an effective balance among risk, controls and results. In addressing the balance, a flexible and robust risk management framework should be developed, process inefficiencies should be eliminated, multi-year agreements should be instituted where appropriate and a general mindset shift from process-oriented to results-oriented approach should be incorporated.

Detailed discussion on some of these issues is included in Section 4.5 of this report.

### **5.1.4 Focus on and Definition of Intended Results**

Given the increased focus around results within RBCA and grants with conditions, the transition plan must address this subject in depth. The current environment within

HRSDC is largely process oriented with significant emphasis on financial controls and accountability and comparatively less emphasis on program and project results. This has affected the mindset and behaviour of the staff in making them more cognizant of controls. Re-introduction of a focus on results will require significant realignment of behaviour and mindset among staff. This can be addressed with appropriate human resource and communication strategies.

The intended results should be clearly defined and the interpretations properly communicated to the staff at all levels of the organization. The intended results should be framed within the Government of Canada Results-based Management approach, and may include, where appropriate, the use of methodologies such as Logical Framework Analysis (LFA) to clearly define the intended output, outcomes, and impact of the interventions.

Detailed discussion of some of these issues is included in Section 4.1 of this report.

### **5.1.5 Human Resources**

The human resources aspect of the transition plan needs to address a series of issues. Given the increased focus on results and balanced focus on controls and process, a strong commitment to training, re-tooling and mindset realignment activities will be required. Staff capabilities and classifications should be addressed to ensure that their skill level and experience matches the level of risk in the agreement. Approval thresholds of contract values for varying staff levels should be determined and enforced. The roles and responsibilities of the various staff levels should also be clearly defined, communicated and evaluated.

### **5.1.6 Communication**

A communication strategy is designed to address the need for stakeholders to understand the global issues related to process reengineering, business model enhancement, or other improvements. It most often answers the question of "why?," as well as the need to comprehend more tactical issues reflected in questions related to "what?," "how?," and "when?."

During the design of the communication strategy, a communication plan is developed. The purpose of this communication plan is to build employee and stakeholder commitment to the HRSDC vision and process improvements. The need for an effective communication plan in support of HRSDC is vital to the success of this effort. A proactive approach to communication will provide consistent information that:

- Overcomes resistance and fosters trust in the HRSDC vision,
- Reduces anxiety and frustration associated with moving to new technology and processes,
- Maintains productivity during the transition, and
- Enables employees to continue focusing on the critical elements of their work.

The greater the commitment each individual has to the HRSDC vision and purpose, the more time, endurance, and ingenuity a person will invest in making the vision a reality. Building commitment takes time, and involves allowing individuals to progress through the following stages:

- Awareness that changes are taking place, followed by
- Understanding of the reasons for changes,
- Acceptance of the changes to the organization,
- Buy-In to the changes that affect the individual's job and commitment to make it work.

HRSDC should undergo a detailed analysis of what aspects of the change initiative will need to be communicated to the staff at large, and based on this analysis, develop a detailed communication plan and implement the action items on the plan.

## 5.2. Critical Success Factors

In order to make it a successful initiative, a sub-set of recommendations and transition issues can be classified as “must-haves” or critical success factors. Without the appropriate attention and resolution of these factors, the initiative cannot be implemented effectively. It is strongly recommended that due attention to these success factors, and their implications, is given prior to the decision of moving forward.

The critical success factors for this initiative are as follows:

- Changes to policy and interpretations to permit the changes recommended here;
- Change management strategy;
- Adoption of a risk management framework that better balances risk, controls and results; and
- Commitment to move from a process-centric environment to a result-oriented environment.

## Appendix A: Programs in Scope

BRANCH/DEPARTMENT	CATEGORY	PROGRAM
Employment Programs Branch	EBSM*	Labour Market Development Agreements**
		Targeted Wage Subsidy
		Self-Employment Program
		Job Creation Partnerships
		Skills Development Program
		Employment Assistance Services
		Research and Innovation
		Labour Market Partnerships
	Youth	Youth Awareness Initiative
		Partners in Promoting Summer Employment
		Summer Career Placement
		Career Focus
		Skills Link
	Aboriginal	Aboriginal Human Resources Development Program
		Aboriginal Skills Employment Partnership (ASEP)
Other	Secretariat, Official Languages Minority Communities Support Fund	
	Job Futures	
Human Investment Program	Human Resource Partnerships	Sector Council Program
		Essential Skills Initiative
		Occupational and Skills Initiatives
		Apprenticeship and Labour Mobility
	Learning and Literacy	Learning Initiatives Program
		Office of Learning Technologies
		International Academic Mobility (IAM) Initiative
		National Literacy Secretariat
Homelessness	Homelessness	Supporting Communities Partnership Initiative
		Urban Aboriginal for Homelessness (UAH)
		Regional Homeless Fund (RHF)
		National Research Program (NRP)
Labour	Labour	Labour Management Partnerships

\* any funds managed by provinces via fully devolved LMMA are not within the scope of this project.

\*\* framework agreement with provinces (not a program)



The major categories of G&C programs at HRSDC are described below.

## 1. Employment Benefits and Support Measures (EBSM)

EBSM were introduced with EI Reform in 1996 and are funded from the Employment Insurance Account under Part II of the *Employment Insurance Act*. Under Part II, active employment measures are divided into two main categories:

- Employment Benefits; and
- Support Measures in support of the National Employment Strategy

### Employment Benefits

Employment Benefits are intended to help unemployed Canadians prepare for, obtain and maintain employment resulting in savings to the Employment Insurance Account. A return on investment is achieved through a reduction in dependency on Employment Insurance and Social Assistance and additional tax revenues through increased employment.

Section 63 of the EI Act authorizes HRSDC to enter into agreements with other levels of government of public or private organizations to contribute towards all or part of the cost associated with the implementation of other similar benefits and measures. Labour Market Development Agreements (LMDAs) have been negotiated with all provinces and territories, except Ontario, to deliver EBSM programming.

There are four Employment Benefits programs:

- *Targeted Wage Subsidies* (TWS) to assist individuals and employers by offering temporary wage subsidies
- *Self-Employment* (SE) to provide unemployed EI eligible individuals with financial support, planning assistance and mentoring while they get their businesses up and running.
- *Job Creation Partnerships* (JCP) to provide EI eligible persons with work experience on projects developed in partnership with the community.
- *Skills Development* (SD) to help individuals obtain the skills necessary for employment ranging from basic to advanced skills, by providing them with direct financial assistance to enable them to select, arrange and pay for their own training.

### Support Measures

Support Measures are designed to help workers find suitable employment and employers find suitable workers. It also provides services such as career counselling, resume writing, guidance on job search techniques and access to labour market information (LMI) and other self-serve options.

There are three Support Measures programs:

- *Employment Assistance Services* (EAS) is generally short duration intervention for all unemployed individuals. EAS provides funding to assist unemployed individuals

prepare for, obtain and maintain employment by providing them with services such as employment counselling, job search techniques, job placement, labour market information and case management and follow-up. Case management services can include referral to the Employment Benefits, if appropriate, to meet client needs.

- *Labour Market Partnerships (LMP)* to work with partners to help communities, employers and workers improve their capacity to address human resource requirements and to implement labour force adjustments.
- *Research and Innovation (R&I)* is used to conduct research that looks at innovative ways to assist people to prepare for, obtain and maintain employment.

## 2. Youth Employment Strategy

The Youth Employment Strategy (YES), first announced in 1997, is the GoC's commitment to help young Canadians and employers by increasing responsiveness to the changing needs of the labour market, improving access to programs and services for youth facing barriers to employment, increasing the emphasis on the development of skills, offering more client-centred and individually tailored employment services, expanding partnerships to offer a broader range of services, and increasing career-related work experiences.

The Youth Employment Strategy (YES) is delivered by fourteen Government of Canada departments and agencies that work in partnership with all levels of government, the private sector and community organizations to help youth prepare for and participate in the world of work. HRSDC coordinates the delivery model for the overall program and policy management, results monitoring, evaluation activities and financial accountability.

YES is comprised of four programs, each targeting a segment of the youth population.

- *Skills Link* helps youth facing barriers to employment develop the broad range of skills, knowledge and work experience they need to participate in the job market. Skills Link uses a client-centred approach where individual youth are assessed at the beginning of the intervention. Skills Link is mostly delivered at the local level through the HRCCs, either funding the youth directly, funding sponsors who provide employment services and interventions to youth or funding Community Coordinators who redistribute the fund directly to youth or sponsors. In 2004-2005, the target number of participants in the Skills Link program is 7013 at an average cost per participant of \$20,000. Skills Link offers various types of project activities including both skills acquisition and work experience interventions.
- *Career Focus* provides post-secondary graduates with career-related work opportunities in Canada and abroad to help them acquire advanced skills and become leaders in their fields. Career Focus is delivered nationally and in all regions to sponsors and/or community coordinators. The target number of participants for 2004-2005 is 413. Career Focus offers youth a range of work experience learning and skill-building activities to help them choose careers and to encourage them to pursue advanced studies.

- *Summer Work Experience (SWE)* creates summer employment for secondary and post-secondary students, and supports the operation of summer employment offices. SWE provides financial help to employers who hire students, creates summer employment offices and offers many other services to help young people find jobs during the summer. SWE is comprised of three programs:
  - Summer Career Placements (SCP) is a wage-subsidy initiative that enables private, public and not-for-profit employers to create career-related summer jobs for students, who, in some cases, will be engaging in their first work experience for 6 - 16 consecutive weeks. SCP projects cannot proceed until the Member of Parliament gives concurrence or until the procedures for non-concurrence have been followed. The number of target participants for SCP in 2004-2005 is 51,962 with the average cost per work experience being \$1,800.
  - Human Resource Centres of Canada for Students (HRCC-S) help students find summer jobs and offer group information and one-on-one sessions on résumé writing, preparing for interviews and looking for a job.
  - Partners in Promoting Summer Employment (PPSE) – where the maximum contribution per recipient normally must not exceed \$50,000 for a maximum duration of one year.
- *Youth Awareness* program compliments the YES by providing financial support for awareness projects sponsored by employers, employer associations, communities and organizations to help them respond to labour market requirements and adjustments while better preparing youth to make a transition into the labour force. Specifically, Youth Awareness funding usually goes toward seminars, conferences, employment/career fairs and communications products. Youth Awareness activities are funded through EI Part II. Projects are normally less than 52 weeks, but depending on the program and activities, projects of up to 3 years may be approved.

### 3. Aboriginal Programs

Aboriginal Programs deliver employment and social development programs geared to the specific needs and priorities of Aboriginal communities through two programs:

- *Aboriginal Human Resources Development Strategy (AHRDS)* – where 79 AHRDA holders deliver labour market programming in over 400 locations. The programs delivered under the AHRDA include:
  - Labour Market Programs: employer wage subsidies, client self-employment, employment opportunities for EI recipients, skills training and assistance services.
  - Youth Programs: Internship Program, Community Service Program, the Student Summer Employment Program and the Labour Market Information Program.
  - Child Care Program: offers quality child care services to Aboriginal parents who are working or studying.
  - Programs for the Disabled: targeting Aboriginal people with physical and mental disabilities to help them find and retain employment
- *Aboriginal Skills and Employment Partnership (ASEP)* Program is a nationally managed program geared to providing Aboriginal people with the skills they need to participate in economic opportunities such as northern mining, oil and gas, forestry,

and hydro development projects across Canada. Announced on October 3, 2003, ASEP is a five-year initiative.

#### 4. Human Resource Partnerships (HRP)

HRP Programs enable Canadians to learn, acquire skills and participate fully in civic, social and economic life. These programs develop knowledge, provide information, and increase awareness

There are four HRP Programs:

- *Essential Skills Initiative* provides details on how Essential Skills help people participate fully in the workplace and the community and provide a foundation for learning other skills.
- *Sector Council Program* works to enable partnerships that address skills and human resource issues by establishing, developing and supporting national partnerships and the capacity of partners to address both pressing and emerging skills and human resources issues. This program includes: Sector Councils, Sectoral and Occupational Studies, Industry Profiles, and Sectoral Career Information.
- *Occupational and Skills Initiatives* help to develop Canada's skilled workforce, by developing and undertaking a variety of occupational and career awareness products and activities, so Canadians may fully understand the evolving labour market. This program includes: the Essential Skills Research Project, the National Occupational Classification and Career Handbook, National Occupational Standards, and Career Awareness products.
- *Apprenticeship and Labour Mobility program* works with key apprenticeship stakeholders, including provincial and territorial governments, to find solutions to ensure adequate supply of skilled trade workers and to allow qualified, skilled Canadian workers to practice their respective trades anywhere in Canada. This program includes: the Interprovincial Standards Red Seal Program, the Ellis Chart and National Occupational Analyses, and Labour Mobility.

#### 5. Learning and Literacy Programs

The Learning and Literacy programs support literacy organizations, the development and use of new learning technologies and international educational exchanges.

There are four Learning and Literacy programs:

- *Office of Learning Technologies (OLT)* provides funding to Canadian organizations to expand innovative learning opportunities through technology. The opportunities facilitate adult learning and skills development to enable Canadians to fully participate in the workplace and their community.
- *Learning Initiatives Program* provides funding to promote a lifelong learning culture in Canada by encouraging and supporting partnership initiatives that will contribute to the development of a more results-oriented, accessible, relevant and accountable learning system.

- *National Literacy Secretariat* provides funding to promote literacy as an essential component of a learning society and to make Canada's social, economic and political life more accessible to people with weak literacy skills. Regional or local projects are supported in partnership with other provincial/territorial governments. Through the national funding stream, projects are supported in partnership with a variety of non-governmental and voluntary organizations, both literacy and non-literacy groups and business and labour organizations.
- *International Academic Mobility Strategy* was approved as part of the Youth Employment Strategy on December 9, 1998. The October 1999 Speech from the Throne noted that partnership development between the Government of Canada and other governments, and public- and private-sector organizations, is required to effectively establish a National Action Plan on Skills and Learning, which will focus on lifelong learning, literacy among adults, and enhanced information services. Learning Initiatives (including IAM) is a mechanism for both forging key partnerships with the learning community, governments and the private sector, and supporting initiatives that assist Canadians in becoming lifelong learners.

## 6. Homelessness

In 1999, the Government of Canada announced the National Homelessness Initiative, a three-year initiative designed to help ensure community access to programs, services and support for alleviating homelessness in 61 targeted urban communities located in all provinces and territories. The \$753 million initiative engaged governments, community and private sector partners in collaborative work to strengthen existing service capacity, and to develop new community-based responses to homelessness that reflect local circumstances.

In March 2003, the Government of Canada has renewed the National Homelessness Initiative for an additional three years (2003-2006). Under the next phase of the NHI, the government is putting a stronger emphasis on supporting the coordinated delivery of services to prevent and break the cycle of homelessness and on establishing sustainable, long-term solutions. Under this initiative, communities will be assisted in further implementing measures to assist homeless individuals and families in achieving and maintaining self-sufficiency.

The extended NHI consists of the following program components:

- *Supporting Communities Partnership Initiative (SCPI)* - will continue to provide communities with program support and funding, which must be matched by community resources, for increasing availability and access to services and facilities for homeless populations.
- *Urban Aboriginal Homelessness (UAH)* - together with the Government of Canada Urban Aboriginal Strategy (UAS), will continue to support projects to increase the well-being of urban Aboriginal people in eight targeted cities.
- *National Research Program (NRP)* - will further increase community-relevant research and policy support, support research partnerships and facilitate knowledge

transfer and sharing of best practices in support of effective responses to homelessness.

- *Homeless Individuals and Families Information System (HIFIS)* - will build on progress to date in collection and management of electronic data that supports better understanding of homelessness issues.
- *Regional Homelessness Fund (RHF)* - will provide support to small and rural communities dealing with homelessness issues.
- *The Surplus Federal Real Property for Homelessness Initiative (SFRPHI)* - is an initiative under the NHI that makes surplus federal real property available to support communities' efforts in addressing the needs of people who are homeless as well as those at risk of homelessness.

## **7. Labour**

The Labour-Management Partnerships Program (LMPP) is a contribution program administered by the Federal Mediation and Conciliation Service that is designed to encourage effective labour-management relations in the workplace or at the sectoral level by providing funding assistance that supports unions and employers in jointly testing specific innovations that will improve workplaces through the Labour Program. Only pilot or demonstration projects are eligible for funding under LMPP. Funding is available to a maximum of \$100,000 per project, over a period not exceeding two years. LMPP funding normally covers up to one-half of the costs associated with the project.

## **8. Official Languages Minority Communities Support Fund**

The Official Languages Minority Communities Support Fund supports communities to enable them to implement their strategic plans to promote human resources development, employability and capacity building in Canada's linguistic minority communities.

## **9. Social Development Canada: Opportunities Fund**

The objective of the Opportunities Fund (OF) for Persons with Disabilities is to assist persons with disabilities in preparing for, obtaining and keeping employment or becoming self-employed, thereby increasing their economic participation and independence. The intent of the program is to assist people with disabilities who normally have had little or no labour force attachment and who therefore do not qualify for assistance under the Employment Insurance program. The operating principle is that, where clients are eligible for other programming, OF will function as an alternative measure for cases where there is no comparable intervention easily accessible for the client.

## Appendix B: Transfer by Program – 2003/2004 Expenditures

Regions	CRF Programs (in thousands)				EI Part II Programs (in thousands)		Total
	Employment Programs	HIP	Homelessness	Strategic Policy	Employment Programs: Provincially Managed	Pan-Canadian	
NHQ	41,129	84,850	99	104,940	0	102,982	334,000
BC	68,490	27,000	14,180	0	294,070	17,277	421,017
Alberta	73,330	22,343	19,112	0	116,779	18,425	249,989
Sask	40,939	9,953	4,900	0	38,990	12,542	107,324
Manitoba	47,340	7,914	14,495	0	48,349	14,570	132,668
Ontario	118,010	65,362	46,763	0	519,429	22,924	772,488
Quebec	97,047	39,133	28,260	0	598,108	11,276	773,824
PEI	3,540	625	388	0	25,962	452	30,967
NB	13,930	5,274	1,670	0	92,086	2,074	115,034
NS	18,345	7,445	2,234	0	81,227	2,862	112,113
Nfld	34,121	4,110	2,523	0	130,200	2,408	173,362
Total	556,221	274,009	134,624	104,940	1,945,200	207,792	3,222,786

## Appendix C: Interview List

### National Headquarters

<b>Name</b>	<b>Departmental Position</b>
Burton, Lenore	Director General, Learning & Literacy Directorate
Courville, Richard	Director, Labour Market Initiatives and Operations
Daze, Su	Director, Operations Support and Services, Learning & Literacy
Dejong, Don	Director General, Human Resources Partnership
Doyle, Donna	Specialization and Concentration
DuBois, Christine	Director, Office of Learning Technologies
Guibert, Sylvie	Director, Program Management, Homelessness Directorate
Hamelin, Michelle	Director, OLMC
Kerr, Ken	Director General, Strategic Integration, Employment Program Policy & Design
Kirby, Donna	Director, Learning Strategies and Support Division
Labonte, Lise	Program Manager, National Literacy Secretariat – Operations & Maintenance
Lauziere, Moyra	Manager, Opportunities Fund
Lee, Gail	Director, Strategic Initiatives, Employment Programs Policy & Design
Martin, Jim	Director General, Audit and Evaluation
McSheffery, Brian	Director, Financial Policy and Training
Netzel, Andy	Chief Client Solutions Officer
Saucier, Mike	Director General, Labour Market and Official Languages Minority Community
Skahan, Pat	Assistant Director, Planning & Financial Monitoring, HRP
Smith, Robert	Director, Youth Operations
Sops, Petr	Director, Aboriginal Programs
Stewart, Ron	Service Delivery
St-Martin, Bernie	Director General, Accounting Operations and Collections Services
Thrasher, Annette	Manager, Strategic Initiatives, Employment Programs Policy & Design
Vardy, Lianne	Director, National Literacy Secretariat
Veilleux, Susan	Manager, Program Delivery, Office of Learning Technologies
Weldon, Jane	Director, Specialization and Concentration

### Regions

#### Alberta

<b>Name</b>	<b>Departmental Position</b>
Bellstedt, Ralph	Manager, Strategic Partnerships, Aboriginal Programs
Jackson, John	Director, Northern Alberta HRCC (Edmonton)
Pylypow, Dave	Director, Skills and Community Development
Angela Ballard	Senior Program Consultant
Bryan Haggerty	Senior Program Consultant



<b>Name</b>	<b>Departmental Position</b>
Rymes, Don	Regional Executive Head
Sadowski, Helen	Manager, Homelessness
Sweet, Cindy	Senior Programs Consultant, Homelessness
Thompson, Gerry	Director, Southern Alberta HRCC (Calgary)
Windlinger, Steve	Manager, Calgary HRCC
David Graham	Director, HRCC Lethbridge
Elliot Hewitt	Senior Development Officer
Program Delivery staff	Calgary HRCC
2 Sponsors	Calgary

### *British Columbia*

<b>Name</b>	<b>Departmental Position</b>
Backhouse, Heather	Assistant Program Manager, Service Delivery
Campbell, Chris	Regional Manager, Employment Programs Branch
Chow, Gordon	Assistant Program Manager, Employment Programs
Duncan, Mardy	Director, Corporate Services
Dussault, Rosanne	Assistant Manager, Internal Control
Dragseth, Chris	Director, HRCC Nanaimo
Floyd, Neil	Program Manager, Strategic Services
Hall, Jo Ann	Director, Program Services
McEwen, Joan	Program Manager, Aboriginal Affairs Unit
Miller, Brian	Assistant Program Service Delivery Manager
Perry, Ken	Assistant Program Manager, Youth Initiatives
Ross, Bill	Regional Executive Head
Street, Laurelle	Program Service Delivery Manager
Taylor, Donna	Regional Manager, Employment Programs Branch
Thiessen, Al	Director, HRCC Burnaby
Weber, Jane	Program Consultant, Strategic Services
Program Delivery staff	Vancouver
Program Delivery staff	Burnaby HRCC
Program Delivery staff	Nanaimo HRCC
Sponsor	Burnaby
2 Sponsors	Nanaimo

### *Newfoundland*

<b>Name</b>	<b>Departmental Position</b>
Alexander, Mike	Regional Executive Head
Hanrahan, Sean	HRCC Manager, St. John's
McCarthy, Wayne	HRCC Manager, Harbour Grace

<b>Name</b>	<b>Departmental Position</b>
Norris, Rosemary	Director, Program and Services
Picco, Bob	Regional Manager, Employment and Social Support
Williams, Randy	Senior Director, Service Delivery and Planning
Program Delivery staff	Regional Office
Program Delivery staff	Harbour Grace HRCC
Program Delivery staff	St. John's HRCC
Sponsor	St. John's
Sponsor	Harbour Grace

### *Nova Scotia*

<b>Name</b>	<b>Departmental Position</b>
Conrad, Jeff	Regional Manager, HRD Programs
Dennis, Connie	Regional Consultant
Dixon, Charles	Manager, Strategic Alliances
Falkins, Betty	Program Administrator, Halifax Metro
Gaudet, Brenda	Program Officer
Grady, Fran	ESO, Halifax HRCC
Hamilton, Wayne	Finance
Hayes, Paula	Program Officer
McFarlane, Joy	Assistant Manager, Employment Delivery Support
Parsons, Cynthia	Community Liaison Officer
Regimbal, Anthony	Program Officer
Ritchie, Christina	ESO Halifax HRCC
Thurott, Karen	Community Liaison Officer
Walsh, Darren	Manager, HRCC Dartmouth
Young, Bev	Manager, HRCC Halifax
Cathy Drummond	Regional Executive Head
Sponsors	Halifax

### *Ontario*

<b>Name</b>	<b>Departmental Position</b>
Anderson, Jocelyn	Manager, Homelessness
Beal, Carol	Regional Executive Head
Bezruchko, Harry	Manager, Youth and Persons with Disability
Bilton, Elaine	Financial Advisor
Carter-Whitney, David	A/Director General, Programs and Services
Clayton, Paula	Manager, Labour Market Partnerships
Doyle, Marilyne	Manager, Employment Services

<b>Name</b>	<b>Departmental Position</b>
Gatti, Larry	Manager, Financial Management
Jacobsen, Rob	Manager, Coordination and Analysis
Janes, Doug	Manager, Employment Benefits
Kolk, Bayla	Associate Regional Executive Head
Koumantaros, Demos	Manager, Homelessness
McVean, John	Director, Pan Canadian
Potts, Jan	Director, Hamilton HRCC
Wallace, Deb	Director, Homelessness
Wilson, Ron	Manager, FWR
Program Delivery staff	Hamilton HRCC
Program Delivery staff	Toronto area HRCCs
Consultants	Regional Office
Program Sponsors	Hamilton
Program Sponsor Umbrella Groups	Toronto
Guy Tondreau	A/Director, Sudbury HRCC
Claudette Wojtowich	Service Delivery Manager, Sudbury HRCC
Program Delivery staff	Sudbury HRCC
Program Sponsor	Sudbury HRCC

### *Quebec*

<b>Name</b>	<b>Departmental Position</b>
Serge Maltais	Director, Mauricie HRCC
Program Delivery staff	Mauricie HRCC
Jocelyn Bertrand	Director, Agreements and Partnerships
Lucie Joly	Director, Regional Secretariat on Homelessness
Christianne Dumas	Director, Employment Programs
Marie Boucher	DG, Programs and Agreements
Denis Boulianne	A/ADM, Quebec region
Diane Morissette	Senior Director, Planning, Accountability and Intergovernment Relations
Program Delivery staff	Quebec region
Program sponsors	Montreal

### **Leading Practices**

<b>Name</b>	<b>Organization</b>
Richard Kuhlman	Office of Grants and Debarment, United States Environmental Protection Agency
Sudha Srivastava	Chief of Business Support, Office of Budget Resources / Bureau of

<b>Name</b>	<b>Organization</b>
	Management United Nations Development Programme (UNDP)
Jane O'Doherty	Rapid Response Service Policy Manager, Employer Policy Unit, Department of Work and Pensions, Government of the United Kingdom
Caroline Fairbrother	Manager, Community and Business Services, Calgary Region, Province of Alberta
Pat Firminger	Manager, Contract Services, Community and Business Services, Calgary Region, Province of Alberta
Richard Blais	Manager, Programs and Services Design, Industry Canada
Tom Switzer	General Manager, Canadian Farm Business Advisory Services, Edmonton, Alberta, Agriculture and Agri-Food Canada
Leslie Watson	Assistant General Manager, Canadian Agri-Renewal Services, Edmonton, Alberta, Agriculture and Agri-Food Canada
Chris McDermott	Executive Director, Centre of Excellence for Grants and Contributions, Canadian Heritage
Regeen Walsh	Regional Director, Health Canada
Paul Finnegan	Director, Information and Business solutions, Business Operations Group, President's Office, Canadian International Development Agency (CIDA)
Richard Papiernik	Sr Advisor, Transfer Payment, Indian and Northern Affairs Canada

### Blue Ribbon Panel

<b>Name</b>	<b>Organization</b>
Diane Fulford	Chief Information Officer, Industry Canada
Colin Graham	Vice-President Finance & Administration, The Royal Conservatory of Music
Masood Sharriff	Aga Khan Foundation Canada
Alex Stewart	Assistant Deputy Minister, Human Resources and Employment, Government of Alberta
Sharon Sutherland	Adjunct Professor, School of Policy Studies, Queen's University

## Appendix D: Advantages and Disadvantages of each Delivery Option

The following presents the detailed advantages and disadvantages of the five delivery options analyzed:

- **Results-based Contribution Agreements;**
- **Service Contracts;**
- **Grants with Conditions;**
- **Direct Delivery through Repatriation; and**
- **Shared Government Administration of Gs&Cs.**

### Results-Based Contribution Agreements

According to the Transfer Payment Policy, a contribution is a conditional transfer payment<sup>8</sup> to an individual or organization for a specified purpose pursuant to a contribution agreement. Contributions are based on reimbursing a recipient for specific expenditures according to the terms and conditions set out in the contribution agreement.

This option proposes a different emphasis for the contribution agreements. Results-Based Contribution Agreements focus more on results and would include more conditions that are performance related and fewer conditions related to eligible expenditures. This option will also better balance controls with results and risk exposure. These agreements will rely on ‘smart’ controls, including some simplification and flexibility in the process controls to match the risk of the investment. Simplification may involve reduced frequency of claims submission or reduced financial monitoring, reduced application information required for small projects, and multi-year agreements. Time standards for processing applications and claims should be established. The management challenge will be identifying performance indicators that are meaningful and clearly demonstrate the impact of HRSDC intervention to meet intended results.

The Results-Based Contribution Agreement has advantages and disadvantages over the current Contribution Agreement.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• More emphasis on sponsor accountability for outcomes and less on accountability for financial stewardship</li> <li>• Simplified process controls are tailored to match risk (size, complexity, sponsor history) of agreement. Reducing administration for both sponsors and</li> </ul>	<ul style="list-style-type: none"> <li>• Perception of less assurance that the funds are being spent as intended</li> <li>• Potential for ‘creaming’ to influence results</li> <li>• Potential for funding non-program related costs</li> <li>•</li> </ul>

<sup>8</sup> The Treasury Board *Policy on Transfer Payments* defines transfer payments to be payments which are made on the basis of an appropriation for which no goods or services are directly received (but which may require the recipient to provide a report of other information subsequent to receiving payment).

Transfer payments can be used to further policy or program delivery by issuing payments to individuals or organizations.

Advantages	Disadvantages
program officers.	

**Table 6: Advantages and Disadvantages of Results-Based Contribution Agreements**

Results-based contribution agreements shift the focus of sponsor accountability from financial stewardship to results. This serves to ensure that sponsor resources are primarily focused on delivering the intended outcomes in support of Government of Canada initiatives.

The benefits of a results-based contribution agreement are very similar to those of a grant with condition. However, a results-based contribution agreement also enables HRSDC to impose financial accountability on the expenditure of the provided funds, thus providing a level of control to HRSDC. The level control is determined through a flexible control framework that would allow HRSDC to tailor process controls to the characteristics of each agreement, such as sponsor history and monetary value. For HRSDC, this serves to reduce the administrative burden required to monitor agreements. It also rewards long-term, trusted sponsors with less stringent controls and reduces the administrative work required for reporting. HRSDC also retains the right to increase controls on agreements that are deemed to be high risk.

To make this a viable option, particular attention will need to be paid to prevent sponsors from choosing recipients based on a higher likelihood of a successful intervention. Performance measures will need to take into account the client segments the sponsors plan to serve.

### Service Contracts

This option proposes the use of Service Contracts. A Service Contract is an agreement between HRSDC and a person or firm to provide a service (or provide special expertise not available in the Public Service) on behalf of the Department for appropriate consideration. This may involve multi-year contracts. The process for contracting services must comply with the federal government Contracting Policy, along with the establishment of service level standards.

There are a number of advantages and disadvantages with service contracts.

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> <li>• More emphasis on outcomes of the interventions other than financial accountability; payments are tied to deliverables or milestones</li> <li>• Multi-year contracts allow for more strategic planning, service continuity and reduced</li> </ul>	<ul style="list-style-type: none"> <li>• Rigorous contracting procedures for bidding, selecting, awarding and managing contracts; can be a lengthy process</li> <li>• Potential for 'creaming' to influence results</li> <li>• Potential for funding non-program related</li> </ul>

ADVANTAGES	DISADVANTAGES
<p>funding volatility year over year for recipients</p> <ul style="list-style-type: none"> <li>• Allows for an overhead % to be added to the value of the contract</li> <li>• Permits standing offer approach to pre-qualify service providers to ease administration burden for HRSDC</li> <li>• Relieves some financial reporting burden from service providers</li> <li>• Improves cash flow for recipients (not reimbursement based)</li> </ul>	<p>costs and/or too high a profit margin</p> <ul style="list-style-type: none"> <li>• Risk of employee/er relationship</li> <li>• Contracting issues: NAFTA, liability for service delivery rests with GoC</li> <li>• Union issues regarding contracting out of services</li> <li>• Transition issues may be too difficult to overcome</li> <li>•</li> </ul>

**Table 7: Advantages and Disadvantages of Service Contracts**

The performance of a Service Contract is measured based on the results delivered and the perceived value of the services provided. HRSDC is freed from costly and time consuming monitoring of financial compliance and recipients are relieved of the burden of financial reporting.

HRSDC can employ competitive processes to ensure only the best proposals are accepted. Through effective performance management and the option of employing multi-year contracts HRSDC would be able to extend the length of a contract for service providers who meet or exceed performance expectations while re-tendering contracts of less effective service providers. Multi-year agreements would be beneficial to recipients in that it would reduce the volatility of funding and relieve them of some administrative burden in the annual application process.

The introduction of Service Contracts would also present obstacles. The process of tendering, awarding, and managing a service contract is lengthy and labour intensive. Resources that could otherwise be allocated to service delivery will need to be allocated toward the procurement process and contract management. Similarly, service contracts may not be desired by all recipients. Service contracts require potential partners to submit detailed proposals that are subject to evaluation. Partners, unaccustomed to writing proposals, may not prepare high quality proposals to score sufficiently high to receive a contract, despite their relevant knowledge and experience. These partners would likely include smaller organizations with limited support resources. Smaller organizations tend to offer new and innovative ways of achieving results. These partnerships may be lost to larger national organizations who may not have a local or, in particular, rural presence.

Also, developing the knowledge to create accurately measure the performance of service contracts and determine what constitutes good value for money will require time.

As with Results Based Contribution Agreements, the performance measurements of Service Contracts will need to be carefully structured to prevent service providers from inflating results by selecting clients based on the likelihood of a successful intervention.

### Grants with Conditions

The Transfer Payment Policy describes grants as unconditional transfer payments. This means that if an individual or organization meets the eligibility criteria for a grant, the appropriate payment can be made without requiring the recipient to meet any other conditions.

This option proposes the addition of conditions attached to the transfer payment, for reporting how the funds were spent. It is important to note that the Transfer Payment Policy acknowledges the use of grant with conditions but does not provide corresponding guidelines. Conditions attached to grants would be based on results to ensure overall integrity in the program. For example, for a Summer Career Placement program, the conditions may require the recipient to demonstrate that the young Canadian was hired for the duration of the summer and that there was no layoff to hire the student. Furthermore, instalment payments can be used such that the final instalment payment is paid only when all conditions are met.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Ensure the cost of monitoring agreements of low monetary value aligns with the risk of financial loss</li> <li>• Relieve program officers of some administrative burden in claims processing and monitoring</li> <li>• Less ongoing reporting required from the recipient for a grant than for a contribution agreement which eases the burden for the recipient.</li> </ul>	<ul style="list-style-type: none"> <li>• Perception of less assurance that the funds are being spent as intended</li> <li>• Less control creates potential for abuse</li> <li>• Instalment payments may be a financial strain for individuals (compared to a traditional grant)</li> </ul>

**Table 8: Advantages and Disadvantages of Grants with Conditions**

Grants with Conditions provide an effective method of service delivery for agreements of low monetary value. Under the current framework the costs of monitoring these small grants often exceeds the value of grant. A grant with condition requires minimal control measures. The benefits to HRSDC are lower administration costs and more available resources focused on service delivery.

Also, under a grant with condition, recipients are not required to report as frequently. This addresses a frequent complaint from sponsor organizations that the effort required to demonstrate financial accountability is disproportionate to the value of the grant, and thus discourages them from using the service.



However, with less control comes a greater degree of risk. The decision for HRSDC is whether the benefits of lower administrative costs and better client service justify the increased risk of reducing control measures.

### Direct Delivery through Repatriation

In contrast to the preceding options, this option explores the repatriation of services currently performed by third parties in support of program objectives. Repatriation of services ranging from needs determination to the full lifecycle of Employment Assistance program delivery is considered as part of this option. However, this would exclude programs delivered under the fully devolved LMDAs.

Direct delivery has advantages and disadvantages over the current use of third parties to deliver programs.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Department retains control of its core responsibility to identify needs for individuals</li> <li>• Ensures some objectivity and independence in identifying the proper intervention (assuming repatriation of just needs assessment)</li> <li>• Direct contact with clients could translate into a better understanding of client and community needs</li> <li>• Departmental control over the quality of service delivered to clients.</li> </ul>	<ul style="list-style-type: none"> <li>• The Department no longer has the capacity or expertise required to fulfill this function in the short term.</li> <li>• Transferring clients and services from external service providers will require a risky and costly transition process</li> <li>• Negative perception of increasing the size of government</li> <li>• Could place existing sponsor organizations that currently deliver programs on behalf of HRSDC in financial hardship</li> </ul>

Table 8 – Advantages and Disadvantages of Direct Delivery

Repatriating the service delivery functions would enable the department to retain control of needs determination. This would provide the organization with the greatest degree of certainty that client needs are being properly assessed and that the necessary steps are being taken to address client needs. However, repatriation will require a significant investment by the department to develop new capacity to fulfill these responsibilities.

A detailed transition plan would need to be created to manage the transfer of clients from sponsor programs to in-house services. Any mass transfer of clients is inherently risky. Clients would be required to adjust to the new service delivery framework and create new relationships with service delivery professionals.

Sponsor organizations that rely solely or primarily on HRSDC for funding may not be able to continue operations without funding. As well, transferring clients to internal services will put at risk the knowledge of client needs that the sponsors have accumulated.

Due to available capacity and the amount of effort required to repatriate service delivery, this is not a recommended service delivery option. Further, repatriation would require a significant policy decision to move in this direction for service delivery.

### Shared Government Administration of Gs&Cs

This option proposes the creation of a virtual organization that will assume the administration and management of grants and contribution agreements for several government departments<sup>9</sup> including HRSDC.

Shared government administration of Gs&Cs has advantages and disadvantages.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Consistent administration and management processes government-wide</li> <li>• Permits concentration and specialization of the administration of grants and contribution agreements</li> <li>• Permits GoC family of departments to focus on the management of integrated results and working with the client and/or community</li> <li>• Permits coordination of funding and reporting among funding departments</li> <li>• Reduces the burden for the recipient in reporting to multiple government programs</li> </ul>	<ul style="list-style-type: none"> <li>• At least three years before implementation</li> <li>• Establishment of accountabilities between lead departments and virtual organization will be challenging</li> <li>• Negative impacts from potential reductions of HRSDC staff</li> <li>• Transition issues may be too great to overcome</li> </ul>

**Table 9: Advantages and Disadvantages of Shared GoC Administration of Gs&Cs**

Shared Governmental Administration (SGA) would provide consistency of service across the Government of Canada and enable enterprise-wide management. It will also enable the Government to take advantage of overlap in administration through consolidation of their service delivery capability. Also, sponsors would need to contract with only a single Government entity which will serve to lower the administrative burden on them.

SGA is a long-term option with considerable planning required before implementation. To implement Shared Governmental Administration, the Government would need to develop a detailed transition plan taking into account the cutover of service, impacts on staff, and the development of governance and management frameworks for the new entity. Also, the differences in client segments, mandates and service offerings amongst the departments may make consolidation of service delivery impossible.

<sup>9</sup> The participating departments could include programs supported by Industry Canada, Health Canada, Indian and Northern Affairs Canada, Canadian Heritage, Passport Office, some Canada Post (electronic services), some Justice Canada services and other organizations, as appropriate.

## Appendix E: Detailed Analysis of Delivery Options by Assessment Criteria

### Assessment Criteria

When assessing optimal delivery models for HRSDC grants and contributions, it was important to assess the models in the context of criteria of highest priority for various stakeholders. Six criteria were identified and assessed for input into developing the most effective delivery models as identified in the scope. Interviewees were surveyed on the importance of each criterion for their programs.

The criteria<sup>10</sup> are described below, grouped into four main themes.

THEME	ASSESSMENT CRITERIA
Governance/ Stewardship	1. <b>Accountability</b> – The program delivery mechanism provides sufficient clarity in terms of the obligation of a person or organization to report on the discharge of program responsibilities for both performance and financial results.
	2. <b>Efficiency and Effectiveness</b> – The proposed delivery model(s) ensures that the program is effectively delivered at the best ratio of cost to benefits. <sup>11</sup>  This criterion addresses the need for an appropriate balance of internal control processes to mitigate inherent risks associated with a delivery model, in the most efficient and effective way. <sup>12</sup>
Policy	3. <b>Policy Alignment:</b> The proposed delivery model(s) is designed to achieve public policy objectives and is aligned with current government priorities and the core mandate of the department. The proposed delivery model(s) is reflective of an appropriate role for the federal government.
	4. <b>Federal Visibility:</b> The delivery mechanism provides for an appropriate level of federal visibility for the department and Government of Canada.

<sup>10</sup> The criteria were developed from the following sources: relevant past studies, departmental and TBS standards and guidance and interviews with senior HRSDC and TBS officials.

<sup>11</sup> This review did not assess the effectiveness of programs but did address effectiveness in terms of administrative processes to adequately capture applications and fund intended recipients.

<sup>12</sup> Internal control processes include delegated authorities, decision-making structure and monitoring practices to mitigate the risks of not achieving objectives, ensuring probity and the appropriate use of public funds in accordance with departmental and government statutes, regulation and policies.

THEME	ASSESSMENT CRITERIA
Client	<p>5. <b>Client-centric Service Delivery:</b> The proposed delivery model(s) ensures that programs are delivered in a client-centric way:</p> <ul style="list-style-type: none"> <li>• Accessible;</li> <li>• Consistent;</li> <li>• Simplified and offered through multiple channels</li> <li>• Ensure a high quality of service to beneficiaries.</li> </ul>
Partner	<p>6. <b>Partner-centric Service Delivery:</b> The proposed delivery model(s) ensures that program information and application processes are partner-centric, i.e., accessible, consistent, simplified and offered through multiple channels while maintaining a high quality of service for those funding recipients not directly benefiting from the programs.</p>

**Table 10: Assessment Criteria**

### Analysis

The assessment criteria were used to evaluate and compare each of the delivery options. They were used as a series of trade-offs to best design the delivery model for a variety of programs. No one option satisfied every criterion, however, the delivery models were assessed on how well they satisfied the criteria of highest importance and priority. Based on our survey of the Departmental resources interviewed, the assessment criteria were ranked overall, as follows:

1. Client-centric service delivery
2. Accountability
3. Efficiency & Effectiveness
4. Policy Alignment
5. Partner-centric service delivery
6. Federal Visibility

The following table summarizes our analysis of the delivery mechanisms based on the assessment criteria:

MECHANISM	CONCLUSION
Results-Based Contribution Agreements (RBCA)	<ul style="list-style-type: none"> <li>• RBCA will meet each criteria to varying degrees with a tradeoff of diminished emphasis on financial accountability and an increased emphasis on accountability for results and efficiency and effectiveness</li> <li>• Placing a focus on results will ensure clients obtain and benefit from the intended services</li> <li>• Communication and training will be important to ensure success is achieved</li> </ul>

MECHANISM	CONCLUSION
Grants with Conditions	<ul style="list-style-type: none"> <li>• grants with conditions will improve efficiency with less time and effort spent on monitoring claims. The tradeoff is diminished financial accountability (more so than a results-based contribution agreement)</li> <li>• Lessening the administrative processes for submitting claims will ease the burden for clients</li> </ul>
Service Contracts (SC)	<ul style="list-style-type: none"> <li>• SC will meet each criteria to varying degrees with a reduced financial reporting burden from partners. The tradeoffs are diminished financial accountability, potential service disruptions, and potential cessation of existing sponsor relationships.</li> <li>• Placing a focus on results will ensure clients obtain and benefit from the intended services. However, there is a concern that creaming and service disruptions may result, both impacting client service.</li> </ul>
Direct Delivery through Repatriation	<ul style="list-style-type: none"> <li>• Repatriated services will improve federal visibility and possibly accountability but the tradeoffs are significant. The key tradeoffs are the high cost for direct delivery and possible degradation of client service. There also may be a negative perception associated with increasing the size of government. Repatriation could place existing sponsor organizations in financial hardship.</li> <li>• HRSDC must re-acquire a large workforce that is highly skilled to ensure no degradation in client service.</li> </ul>
Shared GoC Administration of Gs&Cs	<ul style="list-style-type: none"> <li>• Shared administration option meets all criteria. It is an efficient solution that is partner centric and separates the responsibility for accountability for results with HRSDC. The tradeoff is reduced Departmental visibility and the realization of benefits may take several years.</li> <li>• Easing the burden for partners and providing a single window to government Gs&amp;Cs may introduce efficiencies. This may permit the redirection of resources to client service.</li> </ul>

**Table 11: Options Analysis for Assessment Criteria**

The two key mechanisms, results-based contribution agreements and service contracts, are both very comparable in how they meet the assessment criteria. Both mechanisms allow for improved client service with a greater emphasis on results and outcomes. Both mechanisms provide a focus on accountability for results and relieve some of the burden for financial reporting. Also, they both offer efficiency and effectiveness possibilities. The main difference between the two mechanisms is the change management required. Changing to a service contract process would be much more significant than that required for the results-based contribution agreements. New processes and skills are required to understand and manage service contract relationships. This would involve a significant cultural change for the Department.

Grants with Conditions ease the burden for recipients and simplify the process for HRSDC. The tradeoff is a reduced ability to account for spending. This mechanism would be appropriate for small dollar transfers (e.g., under \$6,000), where the risk of loss is minimal.

Direct delivery through repatriation improves federal visibility and possibly accountability. However, federal visibility was consistently ranked low in importance by those consulted in our review. The tradeoffs to efficiency and effectiveness, client-centric service delivery and partner-centric service delivery are significant to overcome. This option does not appear viable.

Shared Government administration of Gs&Cs is a sound solution that will introduce efficiencies and is partner-centric. This option will require significant changes and should be considered for implementation in the long term.

## Appendix F: Detailed Regional Observations

The following six regions were visited:

Region	Regional Office	HRCC	Sponsors
British Columbia	Yes	2 HRCCs <ul style="list-style-type: none"> <li>• Burnaby</li> <li>• Nanaimo</li> </ul>	3 sponsors <ul style="list-style-type: none"> <li>• 1 in Burnaby</li> <li>• 2 in Nanaimo</li> </ul>
Alberta	Yes	3 HRCCs <ul style="list-style-type: none"> <li>• Calgary</li> <li>• Edmonton (Director only)</li> <li>• Lethbridge (Director only)</li> </ul>	2 sponsors <ul style="list-style-type: none"> <li>• Calgary</li> </ul>
Ontario	Yes	3 HRCCs <ul style="list-style-type: none"> <li>• Toronto</li> <li>• Hamilton</li> <li>• Sudbury</li> </ul>	18 sponsors <ul style="list-style-type: none"> <li>• 3 in Toronto</li> <li>• 14 in Hamilton</li> <li>• 1 in Sudbury</li> </ul>
Quebec	Yes	3 HRCCs <ul style="list-style-type: none"> <li>• Shawinigan</li> <li>• Sherbrooke</li> <li>• Québec centre</li> </ul>	1 sponsor <ul style="list-style-type: none"> <li>• Sherbrooke</li> </ul>
Nova Scotia	Yes	1 HRCC <ul style="list-style-type: none"> <li>• Halifax</li> </ul>	2 sponsors <ul style="list-style-type: none"> <li>• 2 in Halifax</li> </ul>
Newfoundland	Yes	2 HRCCs <ul style="list-style-type: none"> <li>• St. John's</li> <li>• Harbour Grace</li> </ul>	2 sponsors <ul style="list-style-type: none"> <li>• St. John's</li> <li>• Harbour Grace</li> </ul>

**Table 12: Regional Observations**

The detailed observations are summarized below for each of the regions visited:

### British Columbia

- Extensive use of community coordinators
- Time consuming process driven by accountability
- Needs of clients and communities not always well known
- Too much emphasis on financial results in performance monitoring
- Not a lot of latitude for change for smaller programs
- HRSDC procedures drive program objective design, delivery, performance and results as opposed to objective, design, delivery, performance driving process
- Created a risk intolerant, contractual management, performance based behaviour, fostering a cloud of mistrust

### Alberta

- Varying sponsor capacity across region (Alberta, NWT, Nunavut)
- Uncertainty exists over the role of HRSDC in capacity building
- Use Community Entity model (Homelessness) successfully to identify community needs and priorities

- Too much emphasis on short term measures and not on long term outcomes
- Detailed processes are onerous, particularly new review committees; delays experienced in getting approvals; gaps in service
- Minimal involvement in EBSM delivery (fully devolved to province)
- Calgary HRCC signed an MOU with WEDC to coordinate management of the Urban Aboriginal Strategy
- Province uses service contracts almost exclusively; proven effective and sponsors prefer this mechanism over the detailed financial reporting required by the contribution agreements

## Ontario

- Some individuals in HRCCs feel that the Department should repatriate needs determination and case management. The Department has little awareness of client needs; is not able to react quickly to industry or demographic changes. The current process affects client service since the client must go to a sponsor for evaluation then back to the Department for approval and then finally back to another sponsor for services.
- Current review process is an administrative overload and breeds distrust and dissatisfaction.
- Refine Grants:
- Use for skills development (SD), transfer wage subsidy (TWS), and summer career placement (SCP)
- Realign controls to match risk while ensuring accountability and desired results.
- Refine Contributions:
- Create a better mix of financial control and performance measures. The current focus is too heavy on financial controls as opposed to performance measures.
- The length of current Contribution Agreements needs to be re-evaluated. The one year limit does not promote sustainability or commitment.
- Evaluate other service delivery mechanisms such as fee for service and service contracts
- More communication is needed regarding nationally delivered programs. Regional offices and local offices awareness of national programs is limited.
- Programs need to have a local component to them. Departmental programs should be tailored to address the differing needs of each municipality. For example, skills development should focus on the specific labour market needs of every municipality.
- Revisit core and capacity funding. Some third parties feel that a percentage of program funding should be directed towards sustainability and continuity.

## Quebec

- Laws in the province require a different approach than for the rest of Canada (bill M-30 Loi sure le ministere du Conseil executif)
- Devolved arrangement. The Department has respected the Provincial Delivery structure and works closely with the Province of Quebec to deliver programs.
- An acceptable level of risk tolerance is required to effectively deliver programs



- Better balance of financial controls with performance controls is required; level of controls should align with funding amount. Current controls are focused primarily on financial management.
- Contributions:
  - Better mix of financial control and performance measures. The current focus is too heavy on financial controls as opposed to performance measures.
  - The length of current Contribution Agreements needs to be re-evaluated. The one year limit does not promote sustainability or commitment.
  - Programs need to have a local component to them. Departmental programs should be tailored to address the differing needs of each municipality. For example, skills development should focus on the specific labour market needs of every municipality.
  - Revisit core and capacity funding. Some third parties feel that a percentage of program funding should be directed towards sustainability and continuity.
  - “Specialization” aspect of Concentration and Specialization directive is not effective. Sponsors will have to repeat their situation twice; continuity will be lost; additional resources are required during a resource restraining period.

### **Newfoundland**

- Unique relationship with province for delivery of EBSM (province very involved at all stages: priority setting, allocating funds and selecting agreements)
- Too much emphasis on short term measures and not on long term outcomes
- Labour market is different than large urban centres; few sponsors; sponsors provide many programs addressing several stages of the lifecycle; population is aging, youth are leaving the province
- Community input is gathered informally through direct contact with clients (most funding activity is done directly with clients for skills development)
- Recently eliminated direct counselling services
- No appetite for grant (unconditional payments) for fear of abuse
- Monitoring activity is minimal based on CSGC; however upfront application processing is time consuming; need a better balance; program officers often conduct more monitoring than the minimal requirements identified through the CSGC
- Application process (data entry in CSGC) is creating a workload problem for the Program Officers; TWS process is too onerous for the size of the agreements
- Some sponsors feel that the controls promote an “cloud of mistrust” despite proving themselves through good experience and history with the Department.
- Program Officers are skilled in counselling and other labour market services and have no affinity to data entry into CSGC; CSGC is causing large frustrations and morale problems; concerns exist over the impending introduction of the client module of CSGC
- Specialization and Concentration is difficult to implement in the small HRCCs – few staff, requires sponsors to know a second contact
- Region is currently assessing implementation of concentration within the various districts

## Nova Scotia

- Halifax region has a hub-spoke system in place for processing claims.
- HRCCs feel that the department should repatriate the needs assessment component of service delivery.
- HRCCs feel they are spending too much time on administration and this is adversely affecting morale and client service
- More clarification of mandate and responsibilities is required.
- There is general frustration amongst the sponsors regarding the controls and bureaucracy associated with funding. Sponsors feel that the amount of control has gone beyond a reasonable level.
- There was a general recommendation that the control measures should reflect the degree of risk associated with each sponsor and agreement. Why subject an experienced and reputable sponsor to the same level of control as a new or high-risk sponsor.
- Performance measurement is currently based on output instead of outcomes, and measurement is done at intervals that do not reflect the long-term nature of some programs. This encourages some organizations to select clients that provide the best chance of being successful instead of doing a proper needs determination. Performance measures need to be developed relative to the program and clientele.
- There is no way to qualify or measure the service levels of sponsors.
- Funding is only provided on a year-to-year basis. This makes it difficult to plan long-term or provide staff at sponsor organizations with any degree of certainty or stability.
- Federal, provincial, and local organizations need to cooperate to ensure sponsor organizations have a clear directive and goals. At present, each level of government have different agendas resulting in sponsor organizations having to ‘juggle’ goals and objectives to please all parties.
- There are issues with sponsors that are 100% funded by HRSDC. If any expenditure is rejected and funding is not provided, the sponsor organization can be left holding a substantial liability. There needs to be coordination to ensure that sponsors are not completely reliant on HRSDC funding.

## NHQ

- Nationally delivered programs deal with national and international organizations and are systemic in nature
- Service contracts would work for some EBSM, Youth Awareness and OLMC programs (disadvantage in the management of transition from one service provider to another, risk of employee/er relationship)
- CAs are useful when the sponsor must own the output (e.g., HRP initiatives); HRP would like to see a mechanism similar to CA that allows for some joint ownership in the output, so that HRSDC could reuse the output/results
- Grants may not be appropriate since there is no tolerance for risk; SCP needs to be tracked to legitimize the program
- Consider grants with some monitoring, perhaps on a sample basis

- AHRDAs are good in that they are flexible, allow for capacity building funding, streamline the administration, are community focused and provide some certainty in funding over a 5 year period
- Use of Community Entities is a good model but it is difficult to build consensus
- Too much emphasis on controls; Accountability pendulum has swung too far
- S&C initiatives are being implemented; uncertainties exist over the back-office responsibilities for financial management – who should perform this review, are they adequately trained in forensic accounting
- Some programs already using call for proposal process: Literacy and Learning, Opportunities Fund
- Must be able to ensure accountability for results, means (values & ethics), sound financial management and overall stewardship

## Appendix G: Leading Practices Summary by Organization

### Indian and Northern Affairs Canada (INAC)

May 20, 2004

Richard Papiernik, Sr Advisor, Transfer Payment, Indian and Northern Affairs Canada

INAC (previously DIAND) has responded to the problem of overlapping delivery systems through horizontal integration. INAC is working to develop means for increased federal cooperation. The past system involved each federal and provincial body dealing with the various native groups within its own frameworks and policies. This resulted in an unfriendly service delivery experience, increased administration costs and did not take advantage of overlapping policies and expertise.

Service responsibility and delivery is spread across numerous levels and government jurisdictions. Various agreements dictate who is responsible for the delivery of service, and services are delivered from various governmental levels, further complicating administration and client service.

Efforts have been made to coordinate service delivery through the new INAC. In these cases the new service delivery model would see departments cooperate horizontally to ensure that native organizations deal with a single government body when applying for and managing funds. This could provide clarity and consistency of service and eliminate costly and confusing administration.

INAC also ensures a community based focus by contracting directly with the native organizations and allowing them to determine where and how they spend funds. This ensures that the specific community interests are best addressed by the people with the most in-depth knowledge of community issues.

At this stage, INAC has brought forward the concept of a Block Agreement. This agreement is signed with a band. At the end of this agreement, if the same band is receiving funding from OGDs, the intent is to include a "bare-bone" agreement as an appendix to the original block agreement. So far, an example from only Health Canada has been found where this arrangement was made. This practice continues to evolve as native organizations continue to move towards more self-governance.

INAC also takes a community-driven needs assessment approach for some of its programming. For example, the bands are allowed and encouraged to develop their own priorities for program interventions and report on the achievements made in this area.

#### **Potential best practices that can be leveraged for HRSD:**

1. Usage of horizontal integration between INAC, Health Canada and potentially with HRSD;
2. Community-centric programming – providing funding to bands who then develop programming and expected results (and associated measures) for the program in collaboration with band members.

## Canadian International Development Agency (CIDA )

June 18, 2004

Paul Finnegan, Director Information and Business Solutions, Business Operations Group, President's Office

CIDA is organizationally structured into the following branches:

1. Bilateral (geographic)
2. Multilateral (with other donor agencies)
3. Partnership
4. Communication (focus on Canadians)
5. Policy branch

The original stove-piped structure led to 34 different ways of doing business. An internal review at the end of last year (2003), identified the streamlining opportunities and brought the delivery mechanism down to three. These are:

1. Core funding
  - a. Not focused around what the recipient does with the money; it is used to support (with capacity building/enhancement) other large international development agencies (IDAs) such as World Bank, ADB, WUSC, UNICEF
  - b. Trying out "pooled funding" – coordinated multi-donor efforts
2. Responsive programming
  - a. Specific initiative driven
  - b. Not CIDA's own projects
3. Directive programming
  - a. CIDA takes the lead in an initiative with the recipient government
  - b. Uses contracts
  - c. Manages the entire lifecycle: project identification / design -> monitoring and evaluation

### **CIDA's take on TBS's definition on Grants:**

While TBS policy stipulates that grants are unconditional payments that require no monitoring (ie, much like "hand-outs"), CIDA takes a slightly different take on this, which, it seems, is closer to the definition of grants we'd like to see. They feel there can be some minimal monitoring and evaluation with grants that address the overall intended outcomes and impacts.

### **Potential best practices that can be leveraged for HRSD:**

1. Moving to grants with some monitoring; use installment payments when necessary;
2. Strong multi-donor collaboration with priority setting; (in HRSD's case with OGDs and perhaps with provincial governments);
3. For delivery mechanism 1 and 2, do not get involved with delivery at all – keep an arm's length; (in HRSD's case, somewhat similar to fully devolved paradigm);
4. Excellent resource allocation / rotation mechanism – "pick up your chair and move" initiative; people moving around various branches, learning and sharing lessons, cross-pollinating; (in HRSD's case, getting NHQ folks to take up regional postings for 1 or 2 terms);
5. Use of a "menu" of tools: any and all of the branches can use 1 or more of the delivery mechanisms – based on what mechanism suits which project;
6. The Policy branch has significant "ear-to-the-ground" initiatives whereby they are better in touch with field personnel to identify issues they face and factor those back into policy making activities;
7. They use a "trusted partner" paradigm to enable them with reduced monitoring/evaluation; (in HRSD's case, history based monitoring can be implemented);
8. use of "portable office" CD-ROMs (that have detailed roadmap of processes and pertinent links) to ensure cross-business-area consistency

## Health Canada

June 3, 2004

Pegeen Walsh, Regional Director

Among many of Health Canada's programs, AIDS Community Action Program (ACAP) is one that was discussed at length because of its inherent community-driven program delivery model. The purpose of ACAP Operation funding is to support the continuing local, provincial and territorial community-based response to the existing and emerging issues associated with HIV/AIDS. One of the guiding principles of the ACAP program explicitly states that the community development approach is valuable for people to gain control over their lives and the circumstances of their health, where communities must identify their own problems, develop their own solutions, and then implement the action items.

Health Canada uses Logic Models to accomplish its ACAP goals. The Logic Model is a tool that enhances a work plan and is used to align objectives, activities, results, indicators, needs and priorities into a logic flow. It is used to ensure continuity of the ACAP program by retaining corporate memory in situations with staff turnover. It is also used to develop outcome indicators to demonstrate the successes and impact of the ACAP operational funding cycle. The Logic model provides a mechanism to demonstrate and measure the impact of a program.

To complete each Logic Model there are five columns of information that need to be completed. This information is activity-driven, that is, for each activity the following information is needed:

- **Results: Target Deliverables** - the planned information and/or documentation that will be provided to Health Canada describing the results and /or progress of the program
- **Results: Target Impacts** – are intermediate or long term in nature; examples include increased awareness or knowledge
- **Needs** - of the population you hope to have an impact on
- **ACAP priorities** - ensure that the activities and impacts align with the overall goals of the ACAP program, as well as overarching priorities of Health Canada.

The final requirement of the Logic model is selecting impact indicators. These, for example, can be indicators such as: number of grade 9 students who have undergone an AIDS awareness class.

Health Canada uses the concept of Mass Customization for the application process of the ACAP. For example, the introduction to the application, section 1.12 specifically states that although the application provide a broad framework within proposed activities that are eligible for ACAP funding, regional Population and Public Health Branch offices may establish more specific provincial/territorial priorities for funding. Section 1 of the application form deals with primarily generic (or national) information requirements. The application becomes region specific within section 2.

Health Canada also leverages opportunities to collaborate with other government departments to help improve the end-client interaction for multiple government departments with the same target audience. For example, it partners with INAC to provide a streamlined application and monitoring process under Block Agreements for targeted first nations communities.

### **Potential best practices that can be leveraged for HRSD:**

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1. Strong community-driven programming approach, leveraged by a logic model;
2. Outcome-based results measurement;
3. Horizontal integration of common processes with other government departments.

## Canadian Heritage

June 23, 2004

Chris McDermott, Executive Director, Centre of Excellence for Grants & Contributions,

Heritage has more 57 programs that delivery \$850 million through grants & contributions each year. Service is delivered through National Headquarters, the regions, and through third-parties. 75% of funding agreements are under \$50 000. All programs are delivered nationally, with eight delivered directly through the regions. The regions are involved in the design, delivery of programs.

The primary mechanism used by the department is the contribution agreement. Funding agreements are monitored differently according to their size and the recipient. Some of Heritage's programs have a capacity building component to them. An example of such a program is to help multi-barrier aboriginal women get into business. The Ts and Cs have been written to state that capacity building is part of the program.

Due in great part to the issues of '99-'00 the department became highly focused on accountability and control. Funding recipients were required to submit to increasingly stringent measures which hampered their ability and willingness to receive funding. For, example, officers were no longer accepting applications written in black ink for fear they could be mistaken for photocopied applications. As well, clients such as the University of British Columbia were required to submit articles of incorporation. Clients were complaining the process had become too laborious and complex. Heritage also found that they were asked for information that they really didn't need or use.

In response to this perceived over-emphasis on control the department has begun to undertake a Policy Clarification exercise to ensure services are delivered in an appropriate manner while maintaining 'reasonable' diligence for the awarding of funds. The Policy Clarification exercise is founded on the goal to deliver service while adhering to three key principles:

1. Sound Justification for awarding of funds.
2. Reasonable analysis of proposal.
3. Solid accountability and measurement.

This emphasis on 'reasonable diligence' provides some degree of flexibility to the program officers enabling them to exercise judgment in the monitoring of contribution agreements. Officers can decide to use more lenient control measures on long-term or low-risk sponsors and therefore have some degree of flexibility over how much control is placed on the agreement. The ultimate goal is to provide a measured and reasonable level of control without encumbering the stated outcomes and goals of the programs. However, Heritage does maintain the ability to audit suspicious parties, and in practice a small percentage of recipients are audited every year to ensure compliance.

Performance measurement is handled by the individual programs, though concern was expressed over how to properly measure intangible results such as 'national pride'. Heritage Canada is also developing a course to train necessary staff in risk management and other issues surrounding funding. The training focuses on instilling the necessary values and philosophies to make informed decisions. Heritage Canada uses the Grants & Contributions Information Management System, a file-tracking system, to track information pertinent to the sponsors and agreements.

### **Potential best practices that can be leveraged for HRSD:**

1. Heritage has acknowledged the fact that a 'one-size fits all' approach to risk management and control is detrimental to service delivery and provides limited results. Heritage is moving toward a more flexible framework. The framework is based on 3 key factors: repeat customer; track records; and value of program.
2. The idea of a Grant with Condition has been accepted and is being used at Heritage.
3. Training of front-line staff to provide them with necessary skills to make effective decisions surrounding awarding and control of grants & contributions.
4. Use of other sources of information (such as Industry Canada's federal corporations database) to determine authenticity of clients.

5. Performance management should include a mix of economic and social indicators.



## Industry Canada

June 25, 2004

Richard Blais, Manager, Programs & Services Design

Industry Canada delivers service via two distinct delivery mechanisms, grants & contribution agreements. Industry contracts with organizations in most provinces through various federal provincial agreements.

Contribution Agreements are the primary delivery mechanism, with grants making up only small portion of funding. Grants are primarily used for scholarships, fellowships or international agreements. In contrast to TBS, Industry Canada grants can have conditions attached to them, this is especially the case for grants of larger value.

Service Contracts are employed, but they are primarily used to contract for services to the "crown", not to provide services to clients or the general public.

Industry uses a Risk-based Audit Framework (RMAF) to determine the degree of risk associated with the various contribution agreements. This framework has been adapted to fit the characteristics of each program and is flexible enough to take into account the activity, proven history of the client and the amount of the agreement. This ensures the appropriate level of control is applied.

Performance Measurement is tailored to each contribution agreement and is outcome based. The outcomes, outputs, and activities that will be measured are included in the RMAF document.

Industry Canada contribution agreements recognize the long-term nature of some projects and initiatives and provides funding for appropriate periods, with some of the initiatives lasting 20 years.

Many NGO organizations are funded for two years, and the minister has the ability to extend the agreement if it is deemed necessary. When an agreement is extended there is much less administration and detail required.

Industry Canada attempts to avoid general sustainability projects and steers its funding toward projects of finite timeframes with tangible results. For projects with less tangible results, funding is generally confined to a year.

Industry Canada is in the process of implementing a Contribution Management Information System, with a go-live date set for 2004. The new system will provide interactive tools for project summaries, action points for user input and be accessible from the Internet. It will also provide rule-based application and program management. The system is being developed in-house development.

### **Potential best practices that can be leveraged for HRSD:**

1. Long-term funding. Industry recognizes the long-term nature of some initiatives and is willing to provide long-term funding to initiatives that are able to display tangible results.
2. Like CIDA, Industry Canada has adapted the TBS version of a grant to include conditions. This is often done in the case of grants that are of greater value.
3. The Risk Management Framework at Industry takes into account the 'proven history' of the client when placing controls on the contribution agreements.
4. Industry Agreements are frequently amended at the end of the year, rather than requiring the recipient to reapply. This lessens the administrative burden on both the recipient and Industry.

## Agriculture and Agri-Food Canada

June 3, 2004

Tom Switzer, General Manager, Canadian Farm Business Advisory Services, Edmonton, Alberta  
Leslie Watson, Assistant General Manager, Canadian Agri-Renewal Services, Edmonton, Alberta

Agriculture and Agri-Food Canada works with other jurisdictions and industry in Canada to implement the Agricultural Policy Framework (APF) to help Canada's agricultural sector become stronger, more competitive, and more profitable, in markets at home and abroad. The Government of Canada has committed \$5.2 billion over five years for programs under the APF. The Canadian Farm Business Advisory Services delivers the APF's Renewal element, which is a five-year \$42 million Federal-Provincial-Territorial Government initiative ending March 31, 2008.

### Delivery mechanisms:

1. Contribution Agreement, where the farmer must select a service provider from a list of pre-qualified consultants (5 year standing offer arrangement) – Farm Business Assessment.
2. Contribution Agreement, where the farmer may select any service provider – Specialized Business Planning Services.

The qualification of individual service providers (no firms) was done using a service contract process, i.e., through MERX using specific evaluation criteria. Once the individuals were qualified (approximately half of the proposals received were qualified), their names were published on a list, from which a farmer can select them for service. A contribution agreement is then entered into with the farmer for reimbursement of business advisory services up to a maximum of \$2,000. Services are very prescriptive and the outputs (business profile, 3 financial statements, financial plan, projections of options and a written report) are clearly defined. Other specialized business planning services permit the farmer to hire a consultant (that meet certain criteria) to help in preparing specialized plans for their business. AAFC will pay 50% of the consultant fees (eligible expenditures are clearly defined), up to a maximum of \$8,000. Farmers must first meet eligibility criteria. Contribution agreements are signed upon approval and receipts are submitted at the end of the service for reimbursement. Although receipts are reviewed, the focus of the reimbursement is on the plans developed.

The region has established specialization techniques, where one person in each region reviews all applications. Service standards have established that applications must be reviewed and a decision made within 30 days. Similarly, Winnipeg is designed as the payment centre for the region, again with a 30 day response standard.

### Potential best practices that can be leveraged for HRSD:

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1. Use of pre-qualified list of service providers
2. Use of specialization techniques across the region
3. Use of service standards for processing applications and payments.

## Environmental Protection Agency (EPA)

June 17, 2004

Richard Kuhlman, Office of Grants and Debarment

### Overview:

The EPA is responsible for distributing over \$4 billion in funds to communities, states, and non-profit groups across the United States. The EPA manages about 60 different grant programs, though these programs can be grouped into 4-5 specific areas. The states receive nearly 70% of the funds directly from the EPA.

The state funding is divided into two separate areas. The first is a series of revolving loans that are provided to organizations and groups within the state. The second is funding given to the states to run federally mandated programs at the state level. Funding is delivered through two mechanisms. First, grants are delivered to various organizations, states and municipalities for them to administer programs and distribute. Secondly, service contracts are provided to third party organizations to perform specific tasks for the EPA.

### Performance Measurement

Historically the outcome has been measured according to output. Though great emphasis is now being placed on the actual outcomes of a program. Since the Clinton Administration a new act, titled Government Performance Results Act (GPRA), has been in place that requires government departments to develop 5-year plans with stated strategic goals. The difficulty is that results often do not materialize until years later therefore it is not possible to display short term results.

### Training of Internal POs

Every PO must go through a 3-day certification program. They need to re-certify every 3 years. This is tracked by a system and if the certification is not renewed in time, they cannot conduct reviews and the 3-day course has to be redone.

### Internal Monitoring

The programs are monitored via a 3-year oversight program. The program is structured to monitor the 21 different areas that award grants. In each year of the 3 year program:

- 7 groups are chosen to complete a **self evaluation**. This assessment is informal and takes a short period of time. It often consists of minor documentation sharing and a brief conversation.
- Another 7 are chosen for a more detailed **on-site examination**. Federal (Head Office) employees travel to the program site to evaluate the finances, and controls of the program.
- The final 7 have a review of that is **electronically conducted**.

### External / Post Award Reviews

For external recipients or funded programs monitoring is conducted differently:

- A **baseline review** is conducted (post-award) for every active grant assessing what results they expected and these are then monitored to ensure they are completed and of sufficient quality.
- 10 - 20% of active grants are chosen for a more detailed review, or **desk review**. This requires several hours and includes a review of procurement procedures, processes.
- A small percentage of recipients are chosen for an **on-sight review**. This includes transaction and system testing that is typically carried out by 2 people in 2/3 days.

At any of these stages, an office may request that a review be elevated, potentially resulting in a more detailed audit of the program by the Inspector General.

### Potential best practices that can be leveraged for HRSD:

1. Adaptive risk management that includes rotating levels of internal monitoring;
2. Move towards outcome-based results measurement;
3. Long-term project design (3 and 5 year timeframes);
4. Usage of service contracts; and

5. Internal HR development, including a certification program.

## Department of Work and Pensions, UK Government

July 7, 2004

Jane O'Doherty, Rapid Response Service Policy Manager, Employer Policy Unit, Department of Work and Pensions, Government of the United Kingdom

The Department for Work and Pensions (DWP) is a department of the UK Government responsible for its welfare reform agenda. It delivers support and advice through a modern network of services to people of working age, employers, pensioners, families and children and disabled people. The Rapid Response Service (RRS) is a specialized and targeted DWP intervention to address large-scale redundancies (lay-offs) and the particular challenges this poses to an economy.

The RRS is not invoked for every significant redundancy, but may be brought in where there are particular concerns or needs. As a flexible and responsive service, it does not offer a fixed support programme, but a menu of possible actions from which appropriate activities can be derived. These might include information, advice and guidance to workers facing redundancy, re-training programmes or consultancy for the company concerned. The RRS has a budget of around Euro 24m (2002-2003) and a basic infrastructure of eleven senior regional managers. The data on the first period of operation show that support has been given to 178 projects covering 210 companies and involving over 70,000 redundancies.

When a large-scale lay-off is planned, the employer notifies DWP and together they develop tailored transition plans for the employees to be laid off. For a period of time prior to the lay-off, the employer allows the employees to undergo DWP-initiated training and job-retooling programmes while they are still receiving salaries. This limits the department's need to pay for benefits. The needs assessment (for job-retooling purposes) is done by both the department and third party service providers. Once the training needs are determined, the delivery of the programming is outsourced to other third party providers using "call for contracts" and ensuing service contracts. The department owns the case management component of the activities.

### **Potential best practices that can be leveraged for HRSD:**

1. Strong partnership with employers to proactively identify, assess and deliver targeted jobs-retooling programming;
2. Usage of service contracts; and
3. Keeping the case management functions in-house within the department to better manage the interventions and measure success.

## United Nations Development Program (UNDP)

June 16, 2004

Sudha Srivastava, Chief of Business Support, Office of Budget Resources / Bureau of Management

UNDP, United National Development Program, is an arm of the United Nations that is focused around international development, specifically with poverty reduction, energy and environment, democratic governance, crisis prevention and recovery, HIV/AIDS, and gender equality. They have offices in 135 countries. Annual programming budget is US\$1.5B.

### Delivery mechanisms:

1. Direct funding to governments of the developing nations; (primary)
2. Funding to large international executing agencies – mostly with other IDAs; (secondary)
3. Funding to local NGOs in some developing countries; (tertiary)
4. Direct implementation of projects by UNDP; but in this case, large parts are sub-contracted to local agencies; (even less so)

They still have more of financial controls and less of performance/results monitoring. However, they have a 60-40 balance (as opposed to the nearly 80-20 focus in HRSD). This is so because UNDP spends most of its money on capacity development at the government levels – and hence, often, delivers on the government's priorities – which means the government itself has more of a results-based monitoring in place.

The priorities are set based on CCFs (country cooperation frameworks) for each country. The country office then delivers on these priorities.

They use a fee for service model when offering various logistical support to other UN agencies. Since UNDP is the most widely spread out body of the UN, other UN agencies leverage its reach on a as-needed basis, and paying for various services ranging from logistical to financial monitoring. UNDP also uses a cost recovery mechanism to recoup some of the costs associated with its own projects.

### Potential best practices that can be leveraged for HRSD:

1. Usage of service contracts with local NGOs to deliver on UNDP's mandates;
2. Usage of a support cost / admin cost built into all service contracts – this typically ranges between 10 – 13%;
3. Fee for service;
4. A nearly-flat organizational structure that lends itself to improved operational effectiveness and reduced admin run-arounds;

## Province of Alberta

June 2, 2004

Caroline Fairbrother, Manager, Community and Business Services, Delivery Services, Calgary Region  
Pat Firminger, Manager, Contract Services, Community and Business Services, Calgary Region

Province of Alberta uses service contracts almost exclusively for the delivery of community and business services.

### **Delivery mechanisms:**

1. Service contracts, through competitive bidding
2. Service contracts, through sole source
3. Grants, for tuition program

The Province uses a competitive bidding process to identify, select and evaluate proposals from potential service providers. The Province prepares approximately 6 RFPs a year that are driven by detailed planning and budgets. The process to initiate contracts typically takes 6 months, but one RFP process will result in many individual contracts. Contracts are usually signed for 2 years with a 1 year extension. Selection committees are used, including independent representatives. A financial assessment is part of the initial evaluation but not a focus on the delivery of results. An independent reviewer conducts a review for compliance to contracting regulations prior to final approval of the contract. Milestones are established and payment is based on deliverables and outcomes. Independent verification is conducted after payment to assess satisfaction in the program. Competitive contracts under \$500,000 can be approved by the regional manager. Sole Source Contracts under \$100,000 can be approved by the regional manager. Grants are issued for specific training and tuition programs up to a maximum of \$10,000 per student.

### **Potential best practices that can be leveraged for HRSD:**

1. Use of service contracts
2. Use of pricing structure that includes cash flow (30%), deliverables (55%) and outcomes (15%)
3. Higher delegations of authority
4. Independent verification of program participation and satisfaction

