

Management Response to the TPC Program Evaluation Study Recommendations

Technology Partnerships Canada (TPC) is an important Government of Canada instrument to support innovation in Canada, particularly pre-competitive research and development.

The world is changing. To survive and be competitive Canadian industry must make significant investments in innovation. Industry leads with TPC as its partner and a catalyst for change.

Innovative Canadian business must be supported by an innovative TPC. It must keep pace with changes in order to: maintain its relevance; and enable industry to capture new opportunities, which generate significant social, economic and environmental benefits for Canadians.

To ensure continued success TPC must revamp to focus its efforts in pursuing key opportunities in the area of pre-commercialization of research and development. Renewal is a normal milestone in a program's life cycle. Internal audits and program evaluations are routine requirements but they are also important tools to sharpen programs as they continuously adjust to the ever-shifting external environment.

An internal TPC audit was initiated to ensure the program meets the test of quality administration and financial accountability. The audit was complemented by a program evaluation conducted with clients to assess overall program effectiveness. Both initiatives confirmed that: there are no cases of impropriety; TPC is a valuable and essential instrument; and in the spirit of continuous improvement, there are initiatives that will refine the program. In addition, the program evaluation recommended a mid-course re-alignment through a policy review to improve relevance and effectiveness.

Building on this foundation TPC has sought through external consultations to validate with opinion leaders and experts that TPC is a valued and needed public policy instrument of the Government of Canada.

The internal audit, program evaluation and external consultations all support the need for TPC and confirm the Minister's determination to revamp and sharpen the program to make it a better pre-commercialization research and development instrument. The policy review to implement the mid-course correction is well under way.

Recommendations	Management Response / Proposed Actions	Timing	Lead
Policy			
<p>1. In order to improve the relevance and effectiveness of Canada's innovation assistance, Industry Canada should undertake a policy review of TPC with regard to its relevance and suitability to the needs of the modern aerospace, enabling technologies and environmental technologies sectors. Options for consideration may include:</p> <ul style="list-style-type: none"> ▶ the establishment of clearly separate program elements under a TPC umbrella; ▶ the development of completely separate programs; or, ▶ other structures which will preserve this important element of innovation assistance. 	<p>Agreed. TPC has been an effective program that must evolve to keep pace with new realities in the Canadian marketplace, especially in light of the increasing need for Government of Canada support in the area of pre-commercialization. To this end, the Minister has identified his intention to reposition TPC. The Minister has directed TPC officials to review the balance, scope, and focus of its activities to ensure that federal funds are used effectively and equitably in support of modern, competitive industrial development in Canada.</p>	<p>Spring 2004</p>	<p>Executive Director & Director General, Portfolio Affairs & Director General, Operations</p>
Governance			
<p>2. TPC should determine what structural flexibilities would assist in delivering the program in a more effective and efficient manner, and seek approval for those changes. Options for consideration may include:</p> <ul style="list-style-type: none"> ▶ increasing TPC' s independence from Industry Canada; and / or, ▶ seeking new opportunities for further delivery and co-funding partnerships. 	<p>Agreed. TPC was established in 1996, as a Special Operating Agency within Industry Canada. TPC is an essential instrument within Industry Canada in support of Canadian industry and therefore must remain closely aligned with the policies and programs of the Department.</p> <p>Keeping this in mind, TPC needs to reexamine the structural flexibilities and tools (e.g. delegation of authority, co-funding partnerships) that would streamline the effectiveness and efficiency of the program while respecting the broad policy framework established by the Government of Canada and Industry Canada. Specifically, TPC will seek all opportunities to do so.</p>	<p>Ongoing</p>	<p>Executive Director & Director General, Portfolio Affairs & Director General, Operations</p>
<p>3. TPC should reinstitute the TPC Advisory Board as soon as possible and involve the Advisory Board in the strategic oversight and management of the program.</p>	<p>Partially Agreed. TPC agrees that it will benefit from an advisory body that will provide strategic advice on the direction and delivery of the program. The TPC Advisory Board in its present function has been helpful during the formative stages of TPC, and indeed, the Board members continue to receive updates on a regular basis. However, the future role of the Advisory Board is being examined in the context of the repositioning of TPC and the broader need for the Department to get ongoing feedback and strategic advice from Canadian industry and other opinion leaders on innovation.</p> <p>TPC will, in the context of the repositioning review, provide recommended options for a revised advisory function.</p>	<p>Spring 2004</p>	<p>Executive Director & Director General, Portfolio Affairs</p>

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Delivery Processes			
<p>4. TPC should review and revise the project selection and approval process, with a view to significantly reducing the length of time for decision-making and making funds available. Options for consideration may include:</p> <ul style="list-style-type: none"> ▶ negotiating higher levels of spending authority; and / or, ▶ developing different levels of due diligence and approval processes for differing levels of funding and risk. 	<p><u>Agreed.</u> As already indicated, the Minister has identified his intention to reposition TPC. Toward this repositioning, an examination of the decision-making processes is being undertaken to establish a process that ensures rigour, while at the same time, ensuring timeliness to capture opportunities as they arise in the marketplace. As identified in the 2001-02 Year in Review, tangible actions to address these issues are under way including the TPC Business Model Review and a streamlining of the application (decision-making) process.</p>	<p>Summer 2004</p>	<p>Director General, Operations</p>
<p>5. In order to reduce or eliminate the high level of funds carried forward, TPC should continue to develop more aggressive cash management practices. Options for consideration may include:</p> <ul style="list-style-type: none"> ▶ a strategy of over commitment on the number of projects and resources being considered for funding based on experience; and / or, ▶ reconsidering the present practice of committing funds at the project selection stage, which is a major factor in under-utilization of available funding. 	<p><u>Agreed.</u> TPC has already taken measures to strengthen its cash management processes and will continue to do so.</p>	<p>Ongoing</p>	<p>Executive Director & Director General, Operations</p>
<p>6. TPC should develop a more appropriate performance measurement and reporting approach, that captures operational performance information, as well as a broader range of early, intermediate and longer term technological, economic and societal benefits of projects.</p>	<p><u>Agreed.</u> TPC is already developing an expanded performance measurement strategy, focussing on the socio-economic and societal benefits of the program. TPC is ensuring that these benefits are aligned with the priorities of the Department and of the Government of Canada.</p>	<p>Review to be completed this Fiscal Year Implementation in Fiscal Year 2004-05</p>	<p>Director General, Operations & Director General, Portfolio Affairs</p>

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<p>7. Following from the above, TPC should communicate a more complete view of this innovation focussed program and its technical and commercial outcomes to stakeholders and the public. This would include the high level of technical success being achieved by projects, as well as the lower level of commercial success achieved to date. TPC should communicate the high risk nature of projects, the fact that not all will be successful and that overall repayments will not likely meet the initial forecasts identified in proposals.</p>	<p>Agreed.</p> <p>The implementation of the expanded performance measurement strategy will contribute to presenting a more comprehensive report regarding program achievements in <u>all</u> areas. As part of this performance measurement strategy, TPC is currently developing an approach putting repayments in a broader and more balanced perspective. This will provide the foundation to communicate a consistent message regarding all benefits to Canadians</p> <p>TPC has already made significant adjustments to its communications program to provide Canadians and Canadian industry with a clearer perspective on the benefits, challenges, and risks of this important program. This includes an enhanced effort to build relationships with our stakeholder community.</p>	<p>Ongoing</p>	<p>Executive Director & Director General, Operations & Director General, Portfolio Affairs</p>
<p>8. In order to achieve the process improvements noted above, TPC should increase the current levels of funding and staffing for policy, planning and program management to a more appropriate level, in line with requirements. The new levels should be determined by a needs analysis and comparison to other related programs.</p>	<p>Agreed.</p> <p>It must be noted that the constraints placed on TPC were imposed by Treasury Board during the initial program design. TPC is currently constrained to an approximately 3% limit on its O&M budget, which is far less than similar G&C programs which typically range from 10 to 15%. TPC clearly recognizes that its current O&M funding level restricts its ability to effectively and prudently manage a large, diverse investment portfolio and the needs of the Government of Canada, and respond in a responsible manner to the requirements of Modern Comptrollership.</p> <p>A needs assessment has been undertaken and is currently under review. TPC has signalled to Treasury Board its desire to move forward to seek an upward adjustment to the app. 3% constraint.</p>	<p>Dependent on Treasury Board</p>	<p>Executive Director</p>