

**Evaluation
Of The
*Program Integrity Funding I***

Final Report

Foreign Affairs Canada

and

International Trade Canada

**Office of the Inspector General
Evaluation Division (SIE)**

March, 2004

Table of Contents

List of Acronyms	i
Executive Summary	iv
Introduction	1
International Security and Cooperation	5
Overview, Funded Activities	5
Outputs, Outcomes, Risk Mitigation and Value Added	7
Continued Relevance Of Funding	9
Trade and Economic Policy	10
Overview, Funded Activities	10
Outputs, Outcomes, Risk Mitigation and Value Added	12
Continued Relevance Of Funding	16
International Business Development	17
Overview, Funded Activities	17
Outputs, Outcomes, Risk Mitigation and Value Added	20
Continued Relevance Of Funding	25
Protocol Services	26
Overview, Funded Activities	26
Outputs, Outcomes, Risk Mitigation and Value Added	30
Continued Relevance Of Funding	33
Assistance to Canadians Abroad	34
Overview, Funded Activities	34
Outputs, Outcomes, Risk Mitigation and Value Added	36
Continued Relevance Of Funding	39
Conclusions and Recommendations	40
Overall Impact of Program Integrity Funding	40
Variances in PIF I Expenditures	42

Appendix A: Interviewees

List of Acronyms

ANAP	Access North American Program
APEC	Asia Pacific Economic Cooperation
APAV	Association Professionnelle des Agents de voyages
CSIS	Canadian Security and Intelligence Services
CARICOM	Caribbean Countries
CSF	Client Service Fund
CITC	Canadian Institute of Travel Counsellors
DFAIT	Department of Foreign Affairs and International Trade
DND	Department of National Defence
DPR	Departmental Performance Report
FAC	Foreign Affairs Canada
FTAA	Free Trade Agreements of the America
FTE	Full Time Equivalency
FY	Fiscal Year
GG	Going Global
GOL	Government on Line
GHA	Government Hospitality Allotment
ITCan	International Trade Canada
ICC	International Criminal Court
ICTY	International Criminal Tribunal for the former Yugoslavia
ISC	International Security cooperation

IBOC	International Business Opportunities Centre
IDP	Investment Development Program
ICA	International Conference Allotment
LES	Locally-engaged staff
MRC	Market Research Centre
NAFTA	North American Free Trade Agreements
NTS	National Trade Strategy
PIF I	Program Integrity Funding I
PSAT	Public Safety and Anti-Terrorism
PIBD	Program International Business Development
PEMD-GI	Program for Export Market Development/government imitated activities
PIPP	Post Initiated Promotional Project
PMI	Performance Measurement Initiative
PMO	Prime Minister Office
OAS	Organization of American States
RMAF	Results-based management and accountability Framework
RCMP	Royal Canadian Mounted Police
SME	Small and Medium Entreprises
TBS	Treasury Board Secretariat
TRC	Truth Reconciliation Commissions
TESS	Trade Enquiries Sourcing System
TCI	Team Canada Inc.
TIP	Technology Inflow Program

UN	United Nation
VTC	Virtual Trade Commissioners
WTO	World Trade Organization
WTD	World Trade Development
WSSD	World Summit on Sustainable Development

EXECUTIVE SUMMARY

Background

In the February 2000 budget, the federal government allocated to the Department of Foreign Affairs and International Trade¹ (DFAIT) \$34.6 million annually in response to the needs of the following five programs:

1. International Security and Cooperation: \$1.3 million to ensure Canada is prepared and at the table when decisions are being taken on how to deal with the new global agenda;
2. Trade and Economic Policy: \$6.5 million to put the team in place needed for the new round of World Trade Organization (WTO) negotiations and for managing trade disputes;
3. International Business Development: \$6.2 million to ensure that the trade commissioner service has at least a minimum presence where needed and sufficient resources to assist small and medium-sized enterprises prospect effectively abroad;
4. Protocol Services: \$16.9 million in a frozen allotment upon which the Department may draw as needed to allow the Department to plan high-level visits and conferences in the knowledge that a secure source of funds exists for summit meetings and Team Canada missions;
5. Assistance to Canadians: \$3.7 million to maintain a level of assistance to the increasing number of Canadians in distress while traveling abroad which is consistent with the increasingly higher expectations of Canadians, their representatives and the media of the level of support which should be provided by the government.

These amounts were added to DFAIT's reference levels in 2000-2001 to remain in place for future years. The funding package became known as Program Integrity Funding I (PIF I).

The present, formative evaluation of PIF I was conducted:

- To evaluate the continued relevance by assessing the extent to which the PIF I is still consistent with the current needs of the Department;
- To assess efficiency by examining the extent to which PIF I dollars are producing their planned outputs in relation to expenditure of resources;
- To assess whether or not the short and intermediate outcomes are unfolding as expected; (PIF I is achieving its intended objective); and,

¹ In December 2003 the Department of Foreign Affairs and International Trade became two departments - Foreign Affairs Canada and International Trade Canada.

- To assess the extent to which the levels of risks to program integrity have been mitigated since the allocation of the PIF I, and what has been the value added to date.

The study was based on a structured review and analysis of 76 documents, including financial documentation, satisfaction surveys, reports and other products generated by funded branches, and other available studies related to funded activities combined with interviews with 39 stakeholders, including the assistant deputy ministers of the affected branches, directors general and directors/deputy directors of recipient units, and area management office directors.

Findings and Conclusion

It was found that PIF I funds represent a significant portion of branches' discretionary resources and have contributed materially to branch results, including the following:

- As attested to by Canada's key role in the G8 and in talks relating to international crime and terrorism treaties and conventions, Canada is more able to be "prepared and at the table" with respect to the international dialogue on security and cooperation. PIF I contributed significantly to this capacity.
- Indications are that PIF I funds are being effectively spent in support of ensuring an advantageous position for Canada at the WTO table, in settling trade disputes, in negotiating trade agreements and pro-actively responding to the global trade agenda generally. The study was unable to generate a detailed breakdown of PIF I Trade and Economic Policy FTE expenditures or a detailed account of activities and results stemming from the \$2,675,000 expenditure on "travel and professional fees related to WTO."
- PIF I funds support the International Business Development Branch in helping Canadian businesses take advantage of opportunities identified in overseas markets to expand and diversify their exports and to attract investment. PIF I funds have strengthened the capacity and operations of the International Business Opportunities Centre, the Market Research Centre and Team Canada Inc.. PIF I has allowed the Trade Commissioner Service to improve the delivery of services and products in response to the needs of business clients via the transformation of the Client Service Fund as well as more sharply-defined service standards and modern management processes. An upcoming evaluation of the Client Service Fund affords an opportunity to generate a more detailed account of activities and results stemming from \$3,651,000 in PIF I monies allocated to trade promotional activities and the Client Service Fund.
- The PIF-I-supported frozen allotment system appears to have addressed past concerns regarding the adequacy of financial support for Prime Minister and Governor General led visits and hospitality for foreign heads of state. In the

years since PIF I, there has not been a shortfall. Questions have been raised as to the continued appropriateness of the frozen allotment approach (*versus* alternative approaches) and as to the rules of expenditure reimbursement within the Department.

- The Consular program appears to be keeping up with the rising expectations and requirements of Canadian travelers through consular officers abroad, a 24-hour, seven-day-a-week operations centre, a comprehensive communications and outreach program and other initiatives. PIF I funding has made a significant contribution to this achievement.

The overall conclusion emerging from the evidence is that PIF I funds have been used for their intended purpose in support of an effectively managed array of modern services and activities leading to the achievement of relevant foreign policy and trade goals. PIF I has provided incremental support without which the current quality and scope of Canada's foreign affairs and international trade programs would be at risk. PIF I has clearly made a difference to the Department's ability to fulfill its mandate.

The full, summative evaluation planned to be undertaken within two years will provide an empirical verification of this conclusion, and will provide an analysis of the ability of Foreign Affairs Canada and International Trade Canada to continue to achieve Canada's foreign policy and trade goals in light of changes in global conditions since the 1999 *Reference Level Review* on which PIF I was based and any further changes in departmental reference levels.

Recommendations

RECOMMENDATION 1. Respecting Trade and Economic Policy, it is recommended:

- that a listing be generated of the 27 Trade and Economic Policy headquarters positions in support of WTO, FTAA and related trade policy development and negotiations, and that this listing be reconciled against the positions described in the original PIF I budget;
- that a record be generated of activities and results associated with the PIF I funded \$2,675,000 travel and professional services budget; and,
- that the findings of these exercises be made available to the Department and to the Treasury Board.

RECOMMENDATION 2. Respecting International Business Development, it is recommended:

- that, among its other uses, the planned evaluation of the Client Service Fund be used to identify and assess the continued relevance, efficiency and effectiveness of initiatives associated with the PIF I funded \$3,651,000 allocated to trade promotional activities and the Client Service Fund; and,

- that the findings of this exercise be made available to the Department and to the Treasury Board.

RECOMMENDATION 3. Respecting Protocol Services, it is recommended:

- that the efficacy of the frozen allotment model *versus* other possible approaches be examined and, if warranted, that the funding model be modified;
- that the rules that determine which expenditures are covered under the International Conference Allotment and the Government Hospitality Allotment be examined and updated as appropriate; and,
- that, as a result of these exercises, the September 1, 2000 Framework Agreement be revised.

INTRODUCTION

The Department of Foreign Affairs and International Trade completed a *Reference Level Review* in May 1999 followed by a submission to the Treasury Board requesting from the Program Integrity Fund incremental funding in seven areas where program integrity was deemed to be at risk. In its analysis and response to the Department, the Board noted the following:

In FY 99/00, the budget of the Department of Foreign Affairs and International Trade was \$1.352 billion. This sustained 7,730 staff members in Canada and abroad, and 131 missions and 29 satellite offices on five continents. Over the last 10 years, the following major trends have been discernible:

- *Staff have been cut by 980 positions (13%), including the elimination of 85 EX positions; Canada-based staff abroad declined by 30% and locally-engaged staff by 6%; and the total number of offices has risen by 11% to 160.*
- *Unique to the Department of Foreign Affairs and International Trade are the substantial hidden costs of running programs in 109 countries. Treasury Board annually compensates the Department for the effects of foreign inflation. The Department has received \$325 million over the past 10 years to compensate for the effects of inflation and declines in the value of the Canadian dollar. Subtracting this amount from the \$881 million that DFAIT spends on its own operations and programs provides an inflation-adjusted budget level of \$556 million in FY 99/00. This compares to \$674 million in FY 89/99. Accordingly, the budgetary reality is that DFAIT's spending on its operations and programs has declined in real terms by 17.5% over the last 10 years. The decline over the last seven years is even more dramatic – 25.6%.*
- *...some 90% of DFAIT's budget is non-discretionary, with the balance of the budget being tightly focused on the Department's core mandate and the priorities of the government. This amounts to some \$133.5 million, a small portion of the total and a small amount in absolute terms for what the Department is trying to accomplish.*

[The Board concluded] that all of the programs were at immediate risk due to the lack of sufficient resources. ...As a result of the Treasury Board Review recommendations, in the February 2000 budget, the federal government allocated to DFAIT \$34.6 million annually [including some 92 FTEs] in response to the needs of the following five programs²:

²According to the Treasury Board: "The government decided the remaining two programs, Property Maintenance and Staff Training and Development, would be addressed through separate initiatives."

1. *International Security and Cooperation - \$1.3 million ...to ensure Canada is prepared and at the table when decisions are being taken on how to deal with the new global agenda [4th highest priority³];*
2. *Trade and Economic Policy - \$6.5 million ...to put the team in place needed for the new round of WTO negotiations and for managing trade disputes [2nd highest priority];*
3. *International Business Development - \$6.2 million ...to ensure that the trade commissioner service has at least a minimum presence where needed and sufficient resources to assist SMEs to prospect effectively abroad [3rd highest priority];*
4. *Protocol Services - \$16.9 million ...to allow the Department to plan high-level visits and conferences in the knowledge that a secure source of funds exists for summit meetings and Team Canada missions [1st highest priority]; and*
5. *Assistance to Canadians - \$3.7 million ...to maintain a level of assistance to the increasing number of Canadians in distress while traveling abroad, which is consistent with the increasingly higher expectations of Canadians, their representatives and the media of the level of support which should be provided by the government [5th highest priority]⁴.*

These amounts were added to DFAIT's reference levels in 2000-2001 to remain in place for future years. The funding package became known as "Program Integrity Funding I⁵." (For the purposes of this report, the acronym "PIF I" will be used.)

As a condition of funding, the Treasury Board requested that a results-based management and accountability framework (RMAF) be completed for PIF I by December 31, 2000 with a summative evaluation to be completed by September 1, 2003. An RMAF was completed; however, not until September 2002. A full, summative evaluation of Program Integrity Funding I is planned for completion within the next two years. The present, interim, formative evaluation of Program Integrity Funding I was conducted in order to provide information that will be used to support the summative evaluation and in order to gain an understanding of current conditions with a view to making recommendations for corrective action if warranted. The specific objectives of

³In its decision, the Treasury Board noted the "order of priority" of the five program areas. However, no indication is given as to the meaning or consequences of the priority order.

⁴*Treasury Board Decision: Department of Foreign Affairs and International Trade: Program Integrity Review, June 2000*

⁵A second submission has since led to \$43 million in further funding for rust-out and IT, known as "Program Integrity Funding II." Program Integrity Funding II is not covered in the present study.

the formative evaluation, as set out in the *Terms of Reference* for the formative evaluation, prepared in October 2003, were as follows:

- To evaluate the continued relevance by assessing the extent to which the Program Integrity Funding I is still consistent with the current needs of the Department;
- To assess efficiency by examining the extent to which Program Integrity Funding I dollars are producing their planned outputs in relation to expenditure of resources;
- To assess whether or not the short and intermediate outcomes are unfolding as expected; (Program Integrity Funding I is achieving its intended objective); and,
- To assess the extent to which the levels of risks to program integrity have been mitigated since the allocation of the Program Integrity Funding I, and what has been the value added to date.

As directed by the *Terms of Reference*, the present study was based on:

(a) a structured review and analysis of 76 documents, including financial documentation, satisfaction surveys, reports and other products generated by Funded branches, and other available studies related to Funded activities, combined with,

(b) interviews with 39 stakeholders, including the assistant deputy ministers of the affected branches, directors general and directors/deputy directors of recipient units, and AMAs.

As much as possible, interviewees, interview questions and documents suggested in the RMAF were used in the present study. Owing to the wide range of activities funded by PIF I, activities and results were necessarily examined at a relatively high level. While numerous original documents were examined, the present study does not constitute an audit; facts and figures were accepted as given. Nor does it constitute a summative evaluation wherein benefits to clients are quantified and measured. No attempt was made to determine benefit/cost ratios. As such, the present study serves to identify trends and general directions.

Findings from the data collection activities were analyzed separately, then synthesized, to identify themes and critical observations. These observations along with recommendations are presented in the following chapters. Appendix A contains the positions of departmental personnel interviewed for the present study.

Since the original PIF I decision, the Department of Foreign Affairs and International Trade became two departments - Foreign Affairs Canada (FAC) and International Trade Canada (ITCan). This occurred in December 2003. It should be noted that at the time of this evaluation, all Government departments and agencies, including Foreign Affairs Canada and International Trade Canada, have been directed by the Treasury Board to

reallocate resources on an ongoing basis starting in 2003-2004 toward meeting the Government's \$1 billion reallocation savings target. As well, the current review of all Government programs and expenditures is expected to result in additional savings. It is not clear what impact, if any, these reallocation exercises might have on the programs and services covered by the present study.

INTERNATIONAL SECURITY AND COOPERATION

Overview, Funded Activities

The long-term aim of the International Security and Cooperation business line is “a peaceful, rules-based international system reflecting Canadian values, in which Canada is secure from threats from abroad⁶.” In 2002-2003 business line expenditures totaled \$257.9 million⁷.

Under PIF I the Treasury Board allocated to the International Security and Cooperation business line incremental funding in the amount of \$1.345 million. This amount represents 0.5 percent of business line expenditures in 2002-2003. The purpose of the PIF I allocation was to create nine new positions to ensure Canada is “prepared and at the table when decisions are being taken on how to deal with the new global agenda.” Three incremental positions were to be established within the then Global Issues Bureau to support Canadian participation in G8, UN and OAS working groups and support the Department’s role in coordinating and leading Canada’s policy positions respecting international crime, drugs and terrorism. Three incremental positions were to be established within the Legal Affairs Bureau in support of Canada’s interests respecting international crime and drugs, the new International Criminal Court, and international human rights abuses. One incremental position was to be established within the Environmental Affairs Bureau to support Canada’s position on international environmental issues, policies and treaties. One incremental position was to be established within the Francophonie office to support Canada’s position at the Francophonie. One incremental position was to be established within the Middle East and North Africa Bureau in support of the Canadian position in Middle East relations.

⁶*Estimates, Department of Foreign Affairs and International Trade, Performance Report for the period ending March 31, 2003*

⁷*Estimates, Department of Foreign Affairs and International Trade, Performance Report for the period ending March 31, 2003. Table 2, p 82. Not including grants and contributions.*

Table 1 - International Security and Cooperation: Budget, Expenditures, and Results

Original Budget		2002-2003 Expenditures			Purpose / Risk Mitigated	Results
	Cost		Cost	% of Business Line Expenditures		
<u>FTEs (CBS)</u>		<u>FTEs (CBS)</u>			<p><u>Purpose:</u> Ensure Canada is prepared and at the table when decisions are being taken on how to deal with the new global agenda.</p> <p><u>Risks</u></p> <ul style="list-style-type: none"> • That Canadian stakeholders and international partners would not be adequately consulted before Canadian positions have to be adopted resulting in disaccord. • That Canadian officials would not be able to attend or prepare adequately for important international meetings and thus not play a full role in designing solutions to problems of organised crime, drug trafficking, human rights abuse, etc.. • That Canadian interests would not be adequately represented in international activities of La Francophonie. 	<p>Develop and advance Canadian policy positions respecting International crime and terrorism in consultation with other government departments and agencies.</p> <p>Revise G8 standards on terrorism and develop and agreed-on set of best practices.</p> <p>Develop rule of law in key areas including expanding areas of human rights and international security.</p> <p>Provide legal advice and support negotiations on instructions relating to nuclear materials and terrorism.</p> <p>Develop/support Canada's position on the emerging international system of rights and obligations respecting the environment.</p> <p>Develop/support Canada's position respecting cooperation, development, language, democratic governance, rule of law and human rights at the Francophonie.</p> <p>Promote relations in the Middle East.</p>
Participation in G-8, UN, OAS (2 FTEs) and Management of crime, drugs (1 FTE)	350,000	<i>Transnational Crime, Drugs and Terrorism:</i> Participation in G-8, UN, OAS, management and coordination of international crime, drugs (3 FTEs)	498,100 ⁸			
Legal advice on crime, drugs (1 FTE)	115,000	Legal advice on crime, drugs (1 FTE)	113,300			
Legal advice on participation in ICC (1 FTE)	115,000	Legal advice on participation in ICC (1 FTE)	113,300			
Legal support in negotiations (human security) (1 FTE)	115,000	Legal support in negotiations (human security - 1 FTE)	113,400			
Participate in WTO negotiations on trade and environment (1 FTE)	150,000	Participate in WTO negotiations on trade and environment (1 FTE)	125,000			
Additional officer in Paris for La Francophonie (1 FTE)	250,000	Additional officer in Paris for La Francophonie (1 FTE)	178,200			
Incremental officer for Canadian office in Ramallah (1 FTE)	250,000	Middle East relations: Officer for Canadian Office in Ramallah (1 FTE)	203,700			
TOTAL	1,345,000	TOTAL	1,345,000	0.5%		

⁸This amount covers two officer positions and one support position in the International Crime and Terrorism Division under the Global and Security Policy Branch. It also includes \$85,800 to assist with travel costs and the reclassification of one of the PI positions and \$52,100 carried forward to the next fiscal year for PI activities.

As shown in Table 1⁹, on the following page, the positions were filled essentially as directed. Minor surplus amounts each year were reallocated as needed. In 2001-2002, funds were reallocated to cover the direct costs incurred by participants in a Francophonie Conference held in Canada. In 2002-2003, \$85,800 was reallocated to assist with travel costs and the reclassification of one of the PI positions allocated to International Crime and Terrorism and \$52,100 was carried forward to the next fiscal year for PI activities. Overall, Program Integrity funds for this program area are considered to have been spent on TBS approved activities and in accordance with the approved budget allocations.

Outputs, Outcomes, Risk Mitigation and Value Added

The world is becoming more integrated, with increasingly porous borders. This brings with it greater trade opportunities for Canada (as discussed in later sections of the report) but also greater threats in the form of crime and terrorism. This problem was highlighted with the events of September 11, 2001.

Transnational Crime, Drugs and Terrorism. The International Crime and Terrorism Division of the Global and Security Policy Branch was created with six FTEs in 1999. PIF I added three positions in 2000-2001 substantially increasing the capacity of the Division. One PIF I position was a support position. The other two contribute to FAC leadership in interdepartmental efforts to develop and advance Canadian policy positions respecting international crime and terrorism. The nature of these issues calls for horizontal cooperation with Transport Canada, DND, the Coast Guard, CSIS, the RCMP and other government departments and agencies. Since the addition of the PIF I positions, the Division has grown by another six positions (funded by the Public Safety and Anti-Terrorism, or PSAT, fund).

Working with other government departments and agencies and with counterparts in the seven partner countries, the Division has played a central role in revising G8 standards on terrorism, and in developing a set of best practices. The Division has also led in a number of treaty negotiations. These include the Transnational Organized Crime Convention - with protocols on human trafficking (chaired by Canada), human smuggling (chaired by Canada), and firearm trafficking - which came into effect in 2003 with 35 countries signed on. Also, the Convention Against Corruption was opened for signing in December 2003.

Legal Affairs Bureau. One of Canada's foreign policy goals is the support of the rule of law internationally. FAC's legal staff works to develop the rule of law in key areas including expanding areas of human rights and international security. PIF I funded

⁹In this table, and in the corresponding tables for the other four programs, the "Original Budget" figures and the list of "Risks" were adapted from *Program Integrity Funding, Results-Based Management and Accountability Framework, Department of Foreign Affairs and International Trade, Office of the Inspector General, Evaluations Division (SIE), September 2002* which took its budget figures from the Treasury Board submission prepared by the Department. "2002-2003 Expenditures" were provided by branch representatives. "Purpose" is quoted from the Treasury Board Review Recommendations contained in *Treasury Board Decision: Department of Foreign Affairs and International Trade: Program Integrity Review, June 2000*.

three new departmental lawyer positions within the Legal Affairs Bureau devoted to international security issues. Two of these positions are in the Human Rights Law Division and are responsible for such files as:

- International Criminal Tribunals;
- War crimes, genocide, crimes against humanity;
- Impunity/Accountability and Justice Issues;
- Truth and reconciliation commissions (TRCs)/transitional justice;
- Assistance with International Criminal Court (ICC) issues;
- International Criminal Tribunal for the former Yugoslavia (ICTY);
- Human Rights;
- Racism and racial discrimination;
- Optional Protocol to the Convention on Cultural, Social, and Economic Rights;
- Child sex tourism;
- Women's issues;
- Cultural diversity;
- Evolving Human Rights to - development, adequate standard of living, adequate housing, democracy, food, water, education, health;
- Health and Human Rights - disabilities, AIDS; and,
- Refugees/Migration/Immigration.

As noted in the 2002-2003 Departmental Performance Report¹⁰ (DPR): "Canada successfully led the effort to create a new international institution to bring to justice those responsible for genocide, crimes against humanity and war crimes. It promoted ratification and implementation of the Rome Statute of the International Criminal Court and continued its leadership efforts to establish a strong and effective Court."

The third PIF I funded position is in the Security and Treaty Law division. Among other tasks, this position provides legal advice and assists in negotiations of instructions relating to nuclear materials and terrorism and participates in the elaboration of international law.

Environmental Affairs Bureau. At the time PIF I was allocated, the International Security and Cooperation business line included environmental issues. The position created at that time focussed on managing and coordinating Canada's position on environmental issues primarily as related to trade issues. The position exists now within the Environment and Sustainable Development Relations Division, outside of ISC. The position continues to focus on creating a system of rights and obligations with respect to the environment. For example, the position supports Canada's position on corporate social responsibility side agreements within the Free Trade Area of the Americas (FTAA). Agreements have successfully been negotiated with the United States, Mexico and Chile (especially respecting Canadian mining interests). Negotiations are ongoing with Costa Rica, Singapore and Central America.

¹⁰ *Estimates, Department of Foreign Affairs and International Trade, Performance Report for the period ending March 31, 2003*

La Francophonie. The Francophonie Affairs Division is housed within the International Organizations Bureau of the Global and Security Policy Branch. La Francophonie transformed at the Hanoi Summit in 1997 from a primarily cultural organization to a political organization. This transformation brought with it a heavier workload. PIF I funding added a second position to FAC's Francophonie office in Paris. This position is involved in the full range of issues on cooperation, development, language, democratic governance, rule of law, and human rights. The position supports the Prime Minister's participation in a summit every two years. The position attends two to three multilateral meetings per week in Paris. The province of Quebec keeps three staff in Paris focused on la Francophonie. FAC personnel cooperate with Quebec personnel on all issues.

Middle East Relations. At the time DFAIT made its PIF I submission to the Treasury Board, there was a crucial need for an incremental position in Ramallah in general support of Middle East relations and specifically "to respond to the heavy and growing pressures that the Palestinians are placing on the office." When PIF I funding was received, in 2000-2001, the money was used to establish a Political/Trade Officer (FS01) position in Dubai in light of that city's growing importance as a regional hub for international business and financial transactions. This anomaly has now been rectified and the position transferred back to Ramallah to do the Political/Economic work for which it was originally intended.

Summary: Achievement of Purpose and Mitigation of Risks. Results are summarized in Table 1 against the original statement of purpose to be achieved and risks to be mitigated by this allocation. It is clear that, as a result of PIF I funding, Canada is more able to be "prepared and at the table" with respect to the international dialogue on security and cooperation. Canada's key role in the G8 and in talks relating to treaties and conventions bear this observation out. It is also clear that the department is better able to consult stakeholders both internationally and domestically as a result of PIF I resourcing. Finally, Canada's participation in la Francophonie has clearly been enhanced through the additional FTE supported by PIF I.

Continued Relevance of Funding

Of the nine positions allocated by PIF I to the International Security and Cooperation business line, four exist within the Global and Security Policy Branch i.e., three in the International Crime and Terrorism Division and one at La Francophonie in Paris while five exist in other branches, i.e., three in the Legal Affairs Bureau, one in the Environment and Sustainable Development Relations Division, and one in the Africa and Middle East Branch. All nine positions appear to be fulfilling roles in areas originally defined by the Treasury Board decision. Overall, continued PIF I funding appears warranted.

TRADE AND ECONOMIC POLICY

Overview, Funded Activities

The long-term aim of the Trade, Environmental and Economic Policy business line is to “create jobs and prosperity in Canada by effectively managing Canada’s trading relationships with the United States and liberalizing trade and capital flows around the world, based on clear and equitable rules¹¹.” In 2002-2003 business line expenditures totaled \$114.5 million¹².

Under PIF I the Treasury Board allocated to Trade and Economic Policy incremental funding in the amount of \$6.471 million. This amount represents 5.7 percent of business line expenditures in 2002-2003.

The purpose of the PIF I allocation was to create 27 positions (23 Canada-based Staff, or CBS, FTE¹³ positions at headquarters, three CBS positions posted abroad, and one locally-engaged Staff, or LES, FTE position), and to provide an additional \$1.295 million in operational dollars. The FTEs were to be established in the following roles:

- Coordinate and advocate Canada’s position in World Trade Organization (WTO) negotiations, Geneva office (2 CBS FTEs, 1 LES FTE);
- Coordinate interdepartmental work and consult with Canadians respecting WTO, headquarters (4 CBS FTEs);
- Manage trade disputes and trade remedy cases, headquarters (1 CBS FTE);
- Develop and manage market access data bases for Canadian good and services, headquarters (2 CBS FTEs);
- Consultation with Canadian stakeholders including provincial governments, industry, academia, the not-for-profit sector and Canadian at large respecting Canada’s WTO and Free Trade Area of the Americas (FTAA) positions, headquarters (1 CBS FTE);
- Economic analysis and preparation for WTO meetings, headquarters (1 CBS FTE);
- Coordinate other regional and bilateral initiatives and negotiations, headquarters (2 CBS FTEs);
- Support Canada’s position in Asia-Pacific Economic Cooperation (APEC) and G8 summit processes, headquarters (1 CBS FTEs);
- Support Canada’s position in FTAA negotiations, headquarters (3 CBS FTEs) and Buenos Aires (1 CBS FTE);
- Manage trade disputes and trade remedy cases, Geneva mission (1 CBS FTE);

¹¹Estimates, Department of Foreign Affairs and International Trade, Performance Report for the period ending March 31, 2003

¹²Estimates, Department of Foreign Affairs and International Trade, Performance Report for the period ending March 31, 2003. Table 2, p 82. Not including grants and contributions.

¹³Full-time equivalent.

- Trade dispute negotiation and litigation, headquarters (5 CBS FTEs housed in the Legal Affairs Bureau); and,
- Trade law support in WTO negotiations, headquarters (2 CBS FTEs housed in the Legal Affairs Bureau).

Additional funding was allocated for professional services (\$1 million), PWGSC additional accommodation charges (\$245,000) and a special, one-time project to develop an “e-commerce” policy (\$50,000, completed in 2000).

The global trade environment shifted between the time the original *Reference Level Review* was conducted and the time the Treasury Board agreed on the transfer of PIF I funds to Department. The environment continues to shift as of this writing. Because of difficulties at the 1999 WTO talks in Seattle and the consequent delay in progress and postponement of related activities, the Treasury Board held back \$1.142 million of the Branch’s allotment in 2000-2001 and 2001-2002 (reducing the allotment in these years to \$5.329 million). Obviously this had an impact on the creation of FTEs and other planned expenditures. Other changes in the global trade environment such as the escalation of the softwood lumber dispute forced further reconsideration of the distribution of FTEs and resources. Detailed records of each PIF-I-supported position were not available at the time of this study. What is known is that, as at FY 2002-2003:

- \$1.209 million was transferred to the Legal Affairs Bureau to create seven FTEs, as per the PIF I submission;
- \$2,417,000 was allocated to the following FTEs:
 - One LES position was established in Geneva in support of WTO negotiations and another two positions were established in Geneva to manage trade disputes and trade remedy cases;
 - One position was established in Buenos Aires in support of FTAA negotiations;
 - 27 positions were established within the Branch at headquarters in support of WTO, FTAA and related trade policy development and negotiations;
- \$170,000 was allocated to the PWGSC accommodation surcharge; and,
- \$2,675,000 was allocated to general operational expenditures related to developing and supporting Canada’s position in WTO negotiations, developing and supporting Canada’s position in FTAA negotiations, bilateral negotiations, and trade dispute resolution.

These figures are shown in Table 2. As can be seen, actual expenditures were less than budgeted expenditures for the following items:

- FTEs in the Trade and Economic Policy Branch and abroad: \$3.82 million budgeted for 20 positions *versus* \$2.417 million spent for 31 positions;
- FTEs in the Legal Affairs Bureau: \$1.356 million budgeted for 7 positions *versus* \$1.209 million spent for 7 positions;
 - Headquarters accommodation surcharges: \$245,000 budgeted *versus* \$170,000 spent;
 - Electronic commerce: \$50,000 budgeted *versus* \$0 spent.

The total difference in expenditures *versus* budget of \$1.675 million was applied to the following item:

- Travel and professional services fees related to WTO: \$1.0 million budgeted *versus* \$2.675 million spent.

Outputs, Outcomes, Risk Mitigation and Value Added

The Branch is currently undergoing a major re-organization, with part of the Branch splitting off and units from other branches (and from Industry Canada) joining the Branch. This factor has contributed to the difficulty in accessing or generating detailed records related to PIF-I-supported positions and expenditures. In the absence of detailed records, general outcomes, to which PIF I funded activities are understood to have contributed, can be examined.

Trade has been an engine for growth in Canada many years. Recently, the majority of Canada's net economic growth has derived from exports. Trade and Economic Policy operates in an international environment in which Canada is a mid-level country, big enough to engage in, and profit from, trade at the highest levels but small enough to need the protection that comes with a comprehensive set of international trade rules. The negotiation of these rules - bilateral, regional, and multilateral - is a long-term endeavour and is labour intensive. The Branch develops Canadian policy through extensive consultation with the private sector, the not-for-profit sector, other federal government departments and agencies, the provinces and territories, and the municipal government sector. The goal is to create policy respecting trade and the Canadian economy that supports social cohesion, the Canadian economy, and Canada's role in the world.

There is currently considerable activity on the global trade front. Last year Canada participated in a major meeting related to WTO, the Cancun Ministerial Meeting, and an FTAA summit in Miami. Negotiations at this level require a great deal of preparation combined with an ability to react to new developments. Negotiations can stretch over many years. For example, the current round of WTO negotiations was to have been launched in Seattle in 1999 and was to have concluded in 2004. Because of difficulties at the Seattle Summit, talks were delayed. At this point it is evident that the round will not conclude on time and may, in fact, stretch on for several more years. Once an agreement has been reached, one to two years will be needed to put in place the legal structures and mechanisms required to support the agreement, and implementation is predicted to take another five to ten years.

Given this context, what kinds of results were achieved by the Trade, Economic and Environmental Policy business line in 2002-2003? A sample of accomplishments, as noted in the 2002-2003 DPR¹⁴, are as follows:

¹⁴*Estimates, Department of Foreign Affairs and International Trade, Performance Report for the period ending March 31, 2003*

The two primary levels of operation in support of government priorities – projecting Canadian interests across a range of negotiations, institutions and relationships; and interpreting the international context for Canadians – are considered intrinsic in all intended results and are therefore embedded in the accomplishments of the branch presented below:

- In response to the US imposition of duties on Canadian softwood lumber imports in May 2002, the Department launched a two-track strategy of legal challenges and discussions with the United States to develop a long-term, policy-based solution to the dispute. Canada won its WTO challenge of the US preliminary determination of subsidy and launched WTO and NAFTA challenges in response to the final determination.*
- The Department promoted Canadian agricultural interests through representations at the US political and administrative levels. The Department also used other forums, including the WTO, the OECD and the UN's Food and Agriculture Organization, to raise Canadian concerns regarding the US Farm Act and its subsidies, proposed mandatory country of origin labeling requirements and other issues. Following strong Canadian representations, a proposed amendment to the 2002 US Trade Promotion Authority Bill was dropped.*
- The Department coordinated the defense of Canadian policies and programs in the US countervail investigations that were launched in October 2002 against Canadian durum and hard red spring wheat.*
- Canada was an active party to a successful WTO challenge of the US Byrd Amendment. An arbitrator has ruled that the US has until December 27, 2003, to remove the measure. While the amendment's economic impact on Canadian interests has been relatively minor to date, the Department considered it potentially damaging to future economic interests.*
- In collaboration with Environment Canada and Natural Resources Canada, the Department established a Canada-US working group to intensify cooperation on climate change; this has made substantial progress in the ability to inventory present and potential areas for cooperation.*
- Throughout the year, Canada conducted negotiations with EU over trade in wines and spirits. The agreement, signed in April 2003, brings closure to long-standing bilateral grievances in these sectors.*
- At the December 2002 Canada-EU summit, leaders agreed to launch work toward a bilateral trade and investment enhancement agreement.*
- A formal Canada-India trade policy dialogue was established during the February 2003 visit to India of the Deputy Minister for International Trade.*
- The Department led progress toward the conclusion of bilateral free trade agreements and – with Human Resources Development Canada and Environment Canada – accompanying labour and environmental cooperation agreements through several rounds of negotiations and Singapore and the Central America Four; continued with discussions in preparation for eventual negotiations with CARICOM [Caribbean countries].*
- On January 1, 2003, Canada and the United States liberalized certain NAFTA rules of origin, making it easier for exporters of seven affected products to benefit*

Table 2 - Trade and Economic Policy: Budget, Expenditures, and Results

Original Budget		2002-2003 Expenditures			Purpose / Risk Mitigated	Results
	Cost		Cost	% of Business Line Expenditures		
<u>FTEs (CBS)</u>		<u>FTEs (CBS)</u>			<p>Purpose: Put the team in place needed for the new round of WTO negotiations and for managing trade disputes.</p> <p>Risks</p> <ul style="list-style-type: none"> • That if the Department did not consult extensively with respect to free trade issues, the public interest would not be identified and promoted effectively vis-à-vis special interest groups. • That international trade and investment rules would be set by others, and trade disputes would be settled in others' interests. • That overworked trade negotiators and legal staff would make mistakes and lose trade dispute cases that should be won. 	<p>PIF I incremental resources appear to have been instrumental in enabling the Branch to:</p> <p>be effectively engaged in advancing Canada's position in current WTO negotiations.;</p> <p>manage the ongoing work of negotiating international trade rules in Canada's interest (e.g., cooperation with US on climate change, launch of Canada-India talks, bilateral free trade talks including labour and environment side agreements with Central America Four and CARICOM, NAFTA liberalization, G8 Africa Action Plan and other actions at Kananaskis Summit, Bill C-6); and,</p> <p>manage the ongoing work of negotiating and settling in Canada's favour trade disputes as they arise (e.g., WTO softwood challenge, defense of Canadian wheat policy).</p> <p>It appears that the Branch actively consults a full range of domestic and international partners and stakeholders in its work.</p> <p>Incremental PIF I FTEs and dollars have assisted in managing the Branch's workload relative to what it would have been the case without PIF I resources. However, the question of whether or not resources have kept up with workload such that personnel are not "overworked" has not been determined.</p>
WTO - Geneva office (2 FTEs)	717,000	27 FTEs at HQ dedicated to WTO, FTAA and related work				
WTO - HQ staff, analysis and negotiations:	1,937,000					
• HQ - 4 FTEs						
• Trade disputes and remedies						
1 FTE						
• Market analysis - 2 FTEs						
• Consultation - 1 FTE						
• Economic analysis and prep for meetings - 1 FTE						
Other regional and bilateral initiatives (2 FTEs)						
G7/G8 - APEC summits (1 FTE)	186,000					
FTAA - 3 HQ FTES and 1 FTE in Buenos Aires	676,000	FTAA - Buenos Aires office (1 FTE)				
Geneva Mission (trade disputes - 1 FTE)	304,000	Geneva Mission (trade disputes - 2 FTEs)	2,417,000 ¹⁵			
Legal affairs staff, travel & litigation costs (JLT - 7 FTEs)	1,356,000	Legal affairs staff, travel & litigation costs (JLT) (7 FTEs)	1,209,000			
<u>FTEs (LES)</u>		<u>FTEs (LES)</u>				
WTO - Geneva office (1 FTE), cost included in 717,000, above		WTO - Geneva office (1 FTE), cost included in 2,417,000, above				
<u>Other</u>		<u>Other</u>				
Professional services	1,000,000	Travel and professional fees related to WTO	2,675,000			
HQ additional accommodation surcharge	245,000	HQ additional accommodation surcharge	170,000			
Electronic commerce	50,000					
TOTAL	6,471,000	TOTAL	6,471,000	5.7%		

¹⁵ This amount covers 31 FTEs in total, 1 in Geneva related to WTO, 1 in Buenos Aires related to FTAA, 2 in Geneva in support of trade dispute negotiation, and 27 at headquarters related to WTO, FTAA, other trade policy issues and trade dispute negotiation.

from duty-free treatment. This will increase Canadian exports, in particular petroleum. Mexico will implement these changes later in 2003.

- The Department provided policy and logistical support to the Prime Minister as host of the G8 summit in Kananaskis. The Department elaborated an approach that produced a tightly focused agenda leading to three important outcomes at the summit; the launch of the G8 Africa Action Plan, the launch of the G8 Global Partnership Against the Spread of Weapons and Materials of Mass Destruction, and agreement on cooperative G8 actions to provide greater international security in transport.*
- The Department co-led Canada's preparations for participation in the World Summit on Sustainable Development (WSSD). A senior departmental official sat on the international board that prepared the WSSD's agenda and outcomes, giving Canada an important role in brokering positions among developed countries and ensuring the effectiveness of Canadian preparations and outreach to Canadian civil society.*
- The Department was instrumental in the passage of Bill C-6, an Act to Amend the International Boundary Waters Treaty Act, which became law on December 9, 2002. This legislation effectively bans the export of bulk water from the transboundary water basins, including the Great Lakes.*
- The Department's smooth and predictable issuance of quota allocations and import and export permits, combined with its ability to accommodate market vagaries, ensured low transaction costs for business and support for broader public policy goals such as orderly marketing. One of the main industries assisted was softwood lumber (over 203,000 export permits issued covering \$8.7 billion in shipments to the United States, for monitoring purposes).*
- The Department strengthened export controls through more effective administration and outreach and worked more closely with the US in addressing mutual export control interests, in particular under their International Traffic in Arms Regulations (ITARs).*

Summary: Achievement of Purpose and Mitigation of Risks. Results are summarized in Table 2 against the original statement of purpose to be achieved and risks to be mitigated by this allocation. Incremental PIF I funding appears to have been instrumental in enabling the Branch to:

- be effectively engaged in advancing Canada's position in current WTO negotiations.;
- manage the ongoing work of negotiating international trade rules in Canada's interest (e.g., establishment of a Canada-US working group to intensify cooperation on climate change, establishment of a formal trade policy dialogue with India, progress on bilateral free trade talks - including labour and environment side agreements - with the Central America Four and CARICOM, NAFTA liberalization in relation to the export of seven products, Africa Action Plan, the launch of the G8 Global Partnership Against the Spread of Weapons and Materials of Mass Destruction, and agreement on cooperative G8 actions to provide greater international security in transport at the Kananaskis G8 Summit, and the passage on December 9, 2002 of Bill C-6, an Act to Amend the International Boundary Waters Treaty Act); and,

- manage the ongoing work of negotiating and settling in Canada's favour trade disputes as they arise (e.g., Canada won its WTO challenge of the US preliminary determination of subsidy on softwood lumber, and Canada defended its policies and program in the US countervail investigations against Canadian durum and hard red spring wheat).

The Branch undertakes a considerable proportion of its work in partnership with other government departments such as Environment Canada, Natural Resources Canada, and Human Resources Development Canada and appears to actively consult on an ongoing basis a full range of domestic and international partners and stakeholders.

The Reference Level Review referred to the possibility that overwork could lead to mistakes on the part of trade negotiators and legal staff. Clearly, incremental PIF I FTEs and dollars have assisted in managing the Branch's workload relative to what it would have been without PIF I resources. However, the question of whether or not resources have kept up with workload such that personnel are not overworked is beyond the scope of this study.

Continued Relevance Of Funding

The \$2.675 million of PIF I funding used for “travel and professional fees related to WTO” in 2002-2003 is estimated by Branch officials to comprise approximately half of what the branch spent on WTO negotiations in that fiscal year. Many activities, such as the negotiation of bilateral sub-agreements, have to be sequenced, with some activities necessarily being delayed, because of a lack of personnel to undertake the work. Moreover, the amount of work appears to be on the increase with the continued opening of borders and integration of world trade. Canada has an interest in further improving trade relations with the United States, developing better relations with new and emerging markets such as Brazil, India and China, and entering into more bilateral and regional negotiations on selected issues of interest. Meanwhile, WTO remains a top priority along with the resolution of trade disputes.

In short, it appears that continued funding is warranted. Indications suggest that PIF I funds are being effectively spent in support of ensuring an advantageous position for Canada at the WTO table, in settling trade disputes, in negotiating trade agreements and managing the global trade regime generally.

That said, available records do not provide detailed, explicit answers to the question of how the Branch allocated PIF I funds. Records have not been assembled to explain how the Branch created 31 new positions at a cost of \$2.417 million when it had initially projected the creation of 20 new positions at a cost of \$3.82 million. In particular, records have not been assembled respecting the 27 headquarters positions established “in support of WTO, FTAA and related trade policy development and negotiations.” Nor have records been assembled detailing the items comprising “travel and professional fees related to WTO” at a cost of \$2.675 million.

INTERNATIONAL BUSINESS DEVELOPMENT

Overview, Funded Activities

The long-term aim of the International Business Development business line is to “create jobs and prosperity in Canada by encouraging Canadian firms to take full advantage of international business opportunities and by facilitating inward investment and technology flows¹⁶.” In 2002-2003 business line expenditures totaled \$242.7 million¹⁷.

Under PIF I the Treasury Board allocated to International Business Development incremental funding in the amount of \$6.15 million. This amount represents 2.5 percent of business line expenditures in 2002-2003.

The purpose of the PIF I allocation was to create 11 new positions (\$2 million) and fund critical trade related activities (\$4.15 million) to “ensure that the trade commissioner service has at least a minimum presence where needed and sufficient resources to assist SMEs [small and medium sized enterprises] to prospect effectively abroad.” All positions were to be established abroad, in the following countries:

CBS

Kenya
China
Spain
US (Seattle)
Libya
Turkey

LES

Libya
Turkey
Peru
India
France

¹⁶Estimates, Department of Foreign Affairs and International Trade, Performance Report for the period ending March 31, 2003

¹⁷Estimates, Department of Foreign Affairs and International Trade, Performance Report for the period ending March 31, 2003. Table 2, p 82. Not including grants and contributions.

These locations were based on an assessment of client needs and department priorities. Positions were staffed in the prescribed locations at a cost of \$1,528,100 (\$471,900 less than projected); see Table 3. This money was transferred to the reference levels of the respective geographic bureaux and branches. 2002-2003 expenditures on other activities were less than projected for the following items:

- Go Teams: \$500,000 budgeted *versus* \$0 spent. The Go Team concept involved a group of trade experts ready to go to any location as warranted. While showing initial promise, the concept was found to be less efficient - owing to the time required to gain an adequate understanding of local contextual factors - than the traditional posting of trade officers.
- Win Exports: \$600,000 budgeted *versus* \$0 spent. Win Exports is the Department's database of business clients and service transactions. It replaced Mission Win in 2000-2001. During the period of transition from one system to the other, bridge funding was required to allow both systems to run simultaneously with no downtime. This is no longer necessary as the transition is complete¹⁸.

The total difference in expenditures *versus* budget for these positions and items is \$1,571,900. This amount was reallocated in 2002-2003 as follows:

- Trade promotion activities: An additional \$1,351,100 (\$2.3 million budgeted *versus* \$3,651,100 spent). This money contributes to trade promotional activities generally and to the Client Service Fund (CSF, total 2002-2003 expenditure, including PIF I funds: \$8.7 million). CSF monies are allocated directly to trade programs delivered by Canadian missions overseas in support of trade promotion for Canadian businesses.
- Market Research Centre: An additional \$64,900 (\$225,000 budgeted *versus* \$289,900 spent). Sixteen positions were reclassified compared to the originally budgeted ten. The Market Research Centre provides market intelligence to Canadian businesses by sector and region, primarily through electronic media.
- International Business Opportunities Centre (IBOC): An additional \$50,100 (\$25,000 budgeted *versus* \$75,100 spent). IBOC is a system linking opportunities identified by trade officers in missions abroad with Canadian companies possessing the requisite capabilities.
- Team Canada Inc: An additional \$80,000 (\$200,000 budgeted *versus* \$280,000 spent). Housed in ITCan, Team Canada Inc coordinates the trade promotion activities of 22 federal government departments.
- Performance Measurement Initiative: An additional \$25,800 (\$300,000 budgeted *versus* \$325,800 spent). The Performance Measurement Initiative is an ongoing effort to introduce results-based management principles and practices into the Branch. It involved a structured assessment of client needs (Canadian exporters and institutional partners) as well as the development of common service standards to be adhered to by trade officers in missions abroad.

¹⁸In fact, the entire cost was only \$100,000, spent in 2000-2001. No further PIF I funding was needed.

Table 3 - International Business Development: Budget, Expenditures, and Results

Original Budget		2002-2003 Expenditures			Purpose / Risk Mitigated	Results
	Cost		Cost	% of Business Line Expenditures		
<u>FTEs (CBS)</u>		<u>FTEs (CBS)</u>			<p><u>Purpose:</u> Ensure that the trade commissioner service has at least a minimum presence where needed and sufficient resources to assist SMEs to prospect effectively abroad.</p> <p><u>Risks:</u></p> <ul style="list-style-type: none"> • That the "thinning-out" of Canadian trade office staff would compromise the Department's ability to meet the growing demand for quality services. • That Canadian businesses would be at a competitive disadvantage when pursuing international business development opportunities. • That Canada's share of global foreign direct investment would decline. 	<p>The addition of 11 PIF I funded trade officers and the PIF I augmentation of the CSF, in combination with the institution of the Branch's new priority-based trade officer assignment system, has substantially improved the ability of the TCS to assist Canadian SMEs. Client satisfaction reports support this finding.</p> <p>The maturing of the MRC and the modernization and automation of MRC and IBOC product and service delivery, all supported by PIF I, have also markedly improved the relevance, quality and availability of support for Canadian SMEs. Client feedback and an evaluation support these findings.</p> <p>The Department, partially supported by PIF I funds, plays a central role in Team Canada Inc which has been instrumental in assuring horizontal management of IBD programming across 21 partner departments and agencies. The collective efforts of TCI partners have led to significant results in promoting exports by Canadian SMEs.</p> <p>The Branch has taken major strides in introducing evidence-based management principles and practices. Client surveys and regular feedback as well as regular studies and monitoring contribute the Branch's ability to continuously improve its services and remain client-need-driven.</p> <p>The question of the impact of PIF I funding on Canada's share of global foreign direct investment is beyond the scope of the present study.</p>
Positions abroad (6 FTEs)	2,000,000	Positions abroad (6 FTEs)	1,528,100			
<u>FTEs (LES)</u>		<u>FTEs (LES)</u>				
Positions abroad (5 FTEs) cost included in 2,000,000, above		Positions abroad (5 FTEs) cost included in 1,528,100, above				
<u>Other</u>		<u>Other</u>				
Trade promotion activities	2,300,000	Trade promotion activities	3,651,100			
Go teams	500,000	Go teams	0			
Market Research Centre (10 FTE reclassifications)	225,000	Market Research Centre (16 FTE reclassifications)	289,900			
IBOC	25,000	IBOC	75,100			
Team Canada Inc	200,000	Team Canada Inc	280,000			
WINEXPORTS	600,000	WINEXPORTS	0			
Performance Measurement Initiative	300,000	Performance Measurement Initiative	325,800			
TOTAL	6,150,000	TOTAL	6,150,000	2.5%		

Outputs, Outcomes, Risk Mitigation and Value Added

The fundamental work of the International Business Development Branch has gone unchanged for several decades; the Branch (a) employs FAC/ITCan's overseas network to better understand local markets and uncover business opportunities - the "demand" side of the equation - and (b) locates and communicates with eligible Canadian enterprises to inform and assist them in the pursuit of IBD opportunities - the "supply" side of the equation. Success comes in the form of export diversification or expansion (i.e., new clients, markets or products sold overseas by Canadian enterprises).

The way in which the Branch accomplishes its work has, however, changed dramatically. The Branch actively maintains working partnerships with trade centres across the country and with other government departments and agencies such as Industry Canada, Agriculture and Agri-food Canada, Canadian Heritage, Natural Resources Canada, Export Development Canada, Canada Mortgage and Housing Corporation, Western Economic Diversification Canada, the Atlantic Canada Opportunities Agency, and the National Research Council. The Branch develops trade-related policy, maintains the *Horizons* web site, provides extensive training to trade officers, foreign service officers and LES involved in trade, produces market reports by industrial sector and region and distributes these electronically, electronically links selected Canadian businesses with individual business opportunities abroad, organizes and participates in conferences and trade shows, and monitors and evaluates its own activities and results on an ongoing basis with a view to continuously improving its service to its clients. The Branch has worked to improve the quality of its products, in recent years focusing especially on market reports and web based services.

Trade Commissioner Service. As of FY 2002-2003 the Trade Commissioner Service (TCS) was comprised of 1,050 trade professionals - 250 CBS officers and 550 LES commercial officers and commercial assistants located in Canada's missions abroad plus 250 officers at headquarters. PIF I funding contributed 11 officers to this work force.

In 1999 the International Business Development Branch conducted a comprehensive review of the distribution of trade officers world wide. Based on the review, and using the 11 PIF-I-funded positions as a starting point, a system was developed to re-assign officers annually to missions according to the relative needs and business opportunities in the respective missions, and to transfer funds directly to the geographic branches where trade officers are sent. The system prioritizes needs based on 30 indicators of regional condition (e.g., amount of import activity, population demographics, use of technology, etc.), mission audits, and submissions from geographic branches. In the fall of each year the number of positions expiring (i.e., the posting is concluding and the officer is scheduled to return to Canada for re-assignment) the following summer is determined. This number, then, becomes the number of positions "up for grabs" for all geographic branches. Branches submit business cases for incremental resources and/or the preservation of positions, as appropriate. Based on analysis by the Branch

and a working group represented by the geographic bureaux and the HR branch, positions are assigned to missions. For example, in the last round, renewal of the Chargé d'affaires in Tripoli ranked 1st and the creation of a new LES commercial officer position in Barcelona ranked 2nd. Once all re-assignments are determined, funds are transferred to the related geographic branches. The 11 PIF I funded trade officer positions are part of this pool and, as appropriate, will be re-assigned over the years to areas of highest priority. The system is proving so effective that other areas within the Department, such as the Consular Affairs Bureau, are investigating the adoption of a similar approach to overseas assignments.

Within the scope of the present study, it is impossible to isolate the results achieved to date by the 11 PIF I officers. However, given the rigour with which the entire TCS appears to be managed, results and achievements of the TCS generally can be reasonably imputed to the PIF I positions. In the future the Branch intends on collecting actual sales figures from SMEs assisted by the TCS. For now, results are determined through the Branch's annual client satisfaction survey¹⁹.

Branch records contain a total of 11,597 names of clients who used the TCS abroad in 2001. 1,580 of these individuals were surveyed in the fall of 2002 by telephone by an independent research firm. Just over half of the respondents reported being from small firms (53%) with export sales of less than \$5 million. Respondents used the TCS for a median of three years with 18% representing new users (less than one year experience with the TCS). The most common method of learning about the TCS was through colleagues/business associates (30%).

Nearly all respondents felt the service was better or as expected (90%) and indicated they would use the service again (91%). Most clients (88%) said they would recommend the service and most (85%) said the service was worth it given the time and other costs associated with using it. Compared with two previous surveys (1999 and 2000), there were significant improvements in the scores for staff professionalism, timeliness, market knowledge and being creative and proactive in solving problems.

Client Service Fund. The recently completed RMAF for the CSF²⁰ describes the history and current disposition of the CSF as follows:

The Program for International Business Development (PIBD) was established in 1995 through the consolidation of a variety of formerly separate trade, investment and science and technology promotion programs, such as the Program for Export Market Development/government-imitated activities (PEMD-GI), the World Trade

¹⁹*Client Survey Findings, The Canadian Trade Commissioner Service, September 2002: Service Transaction Performance Highlights*

²⁰*Results-Based Management and Accountability Framework for the Client Service Fund, Policy and Strategic Planning Division, The Canadian Trade Commissioner Service, Department of Foreign Affairs and International Trade, July 10, 2002*

Development (WMTD) Program, the Post-Initiated Promotional Projects (PIPP) for the US, the Access North America Program (ANAP), the National Trade Strategy (NTS), Going Global (GG), the Investment Development Program (IDP), and the Technology Inflow Program (TIP). As of April 1st 2002, the PIBD was replaced by the Client Service Fund (CSF). [In 2002-2003 the CSF had a total budget of \$8.7 million.]

The CSF strategic objective is to assist Canadian businesses in expanding or diversifying export sales of goods and services, attracting foreign investors and pursuing science and technology development in an increasingly competitive global marketplace. The primary intended beneficiaries of the Fund are the “export-ready” Canadian business operators.

The CSF provides seed money to program managers at missions in support of customized local market studies, trade shows, conferences and other events designed to help Canadian business clients. Generally CSF money is awarded to posts which have lined up additional partners and funding sources. The CSF does not replace operational or maintenance monies, travel budgets or hospitality budgets. The CSF may not be used to purchase capital goods or pay for overtime.

CSF-supported projects are rigorously monitored for results. The overriding principle is to maximize value for money. The 2002-2003 DPR²¹ cites the following accomplishments for the CSF:

Performance evaluations were conducted for each of the 115 missions that received funds in fiscal year 2002-2003. The fund's first year was considered successful. An analysis of 114 plans, 2,045 reports and corporate financial data shows:

- 98% of missions completed work plans, 97% of missions submitted reports and 99.3% of the funds were utilized worldwide;*
- of Canadian businesses involved in these initiatives, 55% reported enhanced awareness and appreciation regarding access to TCS services, and the range and quality of the services; 58% reported improved awareness and knowledge of the foreign business environment in existing or new markets; 56% expanded their networks of key contacts in foreign markets; and 58% reported increased awareness and knowledge of the business environment and opportunities in Canada; and*
- of partners and co-deliverers involved in these initiatives, 49% enhanced their capacity to provide guidance and support to Canadian businesses.*

In 2002-2003 \$3.651 million in PIF I funding supported trade promotional activities and the CSF. Records were not assembled in the context of the present study breaking

²¹ *Estimates, Department of Foreign Affairs and International Trade, Performance Report for the period ending March 31, 2003*

down this expenditure. However, it would appear to be fair to attribute CSF results to PIF I in proportion to the level of PIF I support for these activities.

Market Research Centre. PIF I funding in 2000-2001 supported the reclassification of 16 positions within the relatively new Market Research Centre. Notably, ten of these reclassifications transformed term positions into indeterminate positions essentially making the MRC fully viable and permanent. Now the MRC creates some 100 new market reports per year, supports market research at missions with tools and templates, and provides content for the *Virtual Trade Commissioner* (VTC), a sub-site on the *Horizons* web site. All MRC activities are client-needs-driven; regular input and feedback from clients is sought to ensure that products and services provide maximum value to clients.

Increasingly the MRC's products and services are delivered electronically. The *Horizons* site currently has some 22,500 registered users. This is a publicly accessible site from which a wide variety of MRC reports can be downloaded. The VTC is a sub-site available to subscribers vetted by the Branch for their potential as exporters. By entering a region and industrial sector of interest (e.g., Southern California, Biotechnology) VTC subscribers can access the name and coordinates of the relevant Trade Commissioner, market reports, business leads, sectoral news, information on the regional business climate, and a list of upcoming trade events. Also, the VTC automatically sends e-mail updates to subscribers customized to each subscriber's profile and requirements. As of this writing the VTC has 8,482 registered users among Canadian businesses. The VTC was recently awarded \$10 million in additional funding from the Government On-line (GOL) Initiative.

International Business Opportunities Centre. In 1995 the Trade Enquiries Sourcing System (TESS) was launched. The purpose of TESS was to electronically match Canadian businesses with opportunities identified by posts. Sixty percent of Canada's posts have only one Canada-based trade officer; TESS particularly supports trade officers in these small posts who would otherwise lack the time and/or familiarity with Canadian capabilities to identify and contact qualified Canadian businesses. IBOC officers contact by telephone identified businesses to help them learn about, and respond to, leads. Approximately 600 businesses are assisted by IBOC each year.

The system has been upgraded over the years. In 2002-2003 PIF I funding provided \$75,100 in support of the development of a new version of the system. The system became automated to the point of freeing an entire FTE. Some 30 to 50 leads are identified and reported by officers abroad every day. The system now automatically identifies potential businesses for each opportunity reported and sends them e-mail messages. Telephone follow up is still undertaken, but can now be more strategically targeted.

IBOC and the system were recently the subject of an evaluation study which reported favourably on the value for money achieved. The evaluation found that there is a need

for IBOC, especially among small businesses and small missions. Further, businesses reported that IBOC contributed to increased awareness by Canadian companies of international business opportunities, reduced search costs, increased export capacity and expanded markets.

Team Canada Inc. Team Canada Inc (TCI) coordinates the efforts of ITCan and 20 other federal government departments along with 12 Regional Trade Networks in providing single window service to SMEs across Canada with an interest in exporting their goods and services. In 2002-2003 PIF I contributed \$280,000 to the Department's portion of the operating expenditures of TCI. In 2001-02 the cumulative results generated by the TCI network were as follows: It "handled almost 16,000 [telephone] enquiries; registered more than 308,000 visits to ExportSource.ca; delivered over 1,000 workshops, seminars and other outreach activities to more than 27,000 participants across Canada; published 179 market reports and market briefs for the 15,000 clients registered to receive them online; [published publicly on-line] 166 country sector profiles; organized over 500 missions, trade fairs and other related events bringing together some 6,000 Canadian companies with thousands of potential buyers around the world; launched an automated bid service that helped facilitate \$100 million in export sales for Canadian companies; and, handled almost 45,000 requests at Canada's 140 posts abroad providing over 20,000 market prospect and company reports, over 9,200 key contact searches, almost 8,500 face-to-face briefings and over 1,900 troubleshooting cases²²."

Performance Measurement Initiative. PIF I funding starting in 2000-2001 allowed the launch of a Performance Measurement Initiative (PMI) within the Branch. This initiative continues today and has formed the core of the Branch's efforts to fully adopt the principles and practices of results-based management in all of its operations. Among other achievements the PMI spawned the development of a trade officer competency profile leading to the creation of a \$1.5 million Global Learning Program. Following on earlier initiatives in the context of PMI, the IBD Branch is pilot testing a "dashboard" tool for the ongoing monitoring of critical performance indicators for the Branch.

Summary: Achievement of Purpose and Mitigation of Risks. Results are summarized in Table 3 against the original statement of purpose to be achieved and risks to be mitigated by this allocation. The additional of 11 PIF I funded trade officers and the PIF I augmentation of trade promotional activities and the CSF, in combination with the institution of the Branch's new priority-based trade officer assignment system and emphasis on the achievement of results, has clearly and substantially improved the ability of the TCS to assist Canadian SMEs. Client satisfaction reports support this finding.

PIF I funds have supported the maturation of the MRC and the modernization and automation - especially using web technology - of MRC and IBOC product and service

²²Team Canada Inc. Annual Report 2002

delivery. These measures have also clearly and markedly improved the relevance, quality and availability of support for Canadian SMEs. Client feedback and an evaluation support these findings.

The Department, partially supported by PIF I funds, also plays a central role in Team Canada Inc which has achieved significant results in promoting exports by Canadian SMEs.

Finally, the Branch has taken major strides in introducing evidence-based management principles and practices. Client surveys and regular feedback as well as regular studies and monitoring, including the new "dashboard" system, contribute the Branch's ability to continuously improve its services and remain client-need-driven.

(The *Reference Level Review* noted the possibility that without additional funding Canada's share of global foreign direct investment could decline. An assessment of the impact of PIF I funding on this index is, however, beyond the scope of the present study.)

Generally speaking, Branch officials report that PIF I funding significantly helped rejuvenate the Branch's programs. Within existing core funding at the time of PIF I, there was not the flexibility required to undertake such actions as the full establishment of the Market Research Centre or the modernization of the Client Service Fund, created out of the PIBD. With the injection of funds from PIF I the Branch was able to move into a mode of operation characterized by good planning, and a focus on people, clients and results.

Continued Relevance Of Funding

The International Business Development Branch serves Canadian businesses and supports the Canadian economy by using Canada's network of overseas offices to identify business opportunities and then informing Canadian businesses about, and helping Canadian businesses take advantage of, these opportunities. In addition to its involvement in Team Canada Inc, the Branch manages an inter-related set of services - the TCS, the CSF, the MRC and the IBOC. Management of these services is increasingly rigorous and results-based. All of this activity is supported by PIF I. Continued PIF I funding appears warranted.

The planned summative evaluation of the CSF will lend support and elaboration to this finding and will enable detailed tracking of activities and results associated with the \$3.651 million spent on trade promotional activities and the CSF.

PROTOCOL SERVICES

Overview, Funded Activities

The Office of Protocol is responsible for managing high-level travel abroad (International Conference Allotment, ICA), organizing government hospitality for visiting foreign officials (Government Hospitality Allotment, GHA), and providing support services to foreign diplomatic missions and organizations in Canada (Diplomatic Corps Services). The lion's share of the budget of the Office is devoted to direct expenditures associated with travel and hospitality. Because the Office has relatively little control over high-level travel and visits by foreign officials - decisions regarding these items typically being made by the Prime Minister's Office, PMO - the Office had a history of drastically exceeding its budget in the years leading up to PIF I. By way of example, actual expenditures as compared to initial budget for the Office of Protocol in FY 1999-2000 were as follows:

	<u>Initial Budget</u>	<u>Actual Expenditures</u>
International Conference Allotment	\$5,700,000	\$12,151,000
Government Hospitality Allotment	\$2,700,000	\$3,871,000
Office Operations	\$965,000	\$1,045,000
Capital Expenditures	\$50,000	\$120,000
Salaries and Associated FTE Costs	\$2,612,000	\$2,721,000
Overtime	\$428,000	\$866,000
TOTAL	\$12,455,000	\$20,774,000

As in previous years, the Office of Protocol shortfall was made up through bridge financing provided by the Treasury Board. With an overrun of over \$6.5 million, ICA expenditures accounted for the largest component of the 1999-2000 \$8.3 million shortfall. With an overrun of nearly \$1.2 million, GHA expenditures accounted for most of the rest. However, a salary overrun and, in particular, an overtime overrun suggest that the Office was not only underfunded but also overworked.

To correct the situation, based on reasoned future projections the Treasury Board allocated to the Office of Protocol incremental funding in the amount of \$16.914 million. \$584,000 was to establish seven new FTE positions within the Office. Two of these positions were to be established within the Official Visits Division, three were to be established within the Hospitality Services Division and two were to be established within the Diplomatic Corps Division.

The remaining \$16.33 million was allocated for ICA and GHA expenditures in excess of \$4.847 million in ICA base funding²³ and \$1.485 million in GHA base funding²⁴; the total amount available annually for ICA and GHA expenditures combined - PIF I allotment plus base funding amounts - was set at \$22.662 million.

The \$16.33 million was placed in a “frozen” allotment for annual release under the terms of a framework agreement between the Treasury Board Secretariat and DFAIT²⁵. The framework agreement is as follows:

In December 1998, the Department of Foreign Affairs and International Trade (DFAIT) was selected as one of the departments to undergo a detailed review by the Treasury Board Secretariat to determine whether there was a need to increase departmental resources to ensure program integrity. The analysis led to Treasury Board decision 828228, of June 2000, which increased DFAIT’s reference levels by \$34.6 million. Of this amount, \$16.3 million was placed in an annual frozen allotment to be released, as necessary, for Protocol Services related to attendance at high-level meetings and events abroad by the Governor General and Prime Minister, and visits to Canada by Heads of State and Heads of Government.

The purpose of this Framework Agreement is to outline the principles and process that were developed jointly by DFAIT and the Treasury Board Secretariat (TBS) to govern the release and management of funds in the frozen allotment for Protocol Services. This Framework takes effect during fiscal year 2000-2001.

Principles

- *Funds will be released to cover 100% of the costs of Governor General and Prime Ministerial attendance at high-level meetings and events abroad, that exceed \$4.5 million (i.e., the average amount spent by DFAIT over the last three fiscal years);*
- *Funds will be released to cover 100% of the costs of hosting high-level visitors invited to Canada by the Governor General and the Prime Minister, that exceed \$1.485 million (i.e., the average amount spent by DFAIT over the last three fiscal years);*
- *The travel costs of Ministers designated to represent the Governor General or the Prime Minister abroad are to be included in the calculation of costs;*

²³ICA base funding was calculated by averaging the amount spent on ICA by the Department over the three years preceding PIF I. The amount was initially set at \$4.5 million .

²⁴GHA base funding was calculated by averaging the amount spent on GHA by the Department over the three years preceding PIF I.

²⁵*Framework Agreement: Funding for Protocol Services in Support of High-Level Visits, September 1, 2000*

- *The travel costs of Members of Parliament required by the Government to accompany delegations led by DFAIT Ministers (“pairing”) are to be included in the calculation of costs;*
- *\$16.3 million has been placed in a frozen allotment based on current estimates for high-level visits. Should additional costs exceed this amount, DFAIT is to bring this item to the attention of TBS who will be prepared to consider, and take to Ministers if warranted, the case for appropriate assistance.*

Process

- *DFAIT will seek the release of funds from the frozen allotment following the Mid-Year and Third Quarter Reviews, with a final accounting after Year-End, and otherwise, if required for cash management purposes;*
- *Release will be sought on the basis of a letter from DFAIT’s Assistant Deputy Minister, Corporate Services, to TBS’s Assistant Secretary, Government Operations, requesting the release of funds and attaching a list of all eligible events and their costs;*
- *The Treasury Board Secretariat will release the funds in the frozen allotment after review of the letter and will issue a revised allotments schedule to DFAIT.*

Beginning in FY 2002-2003 Treasury Board approved the permanent shift to the budget of the Office of Protocol of \$583,060 from the \$16.33 frozen allotment for the creation of an additional eight FTEs. Four of these positions were to be devoted to the ICA program and four were to be devoted to the Hospitality program. This decision was in response to a submission from the Department detailing over \$700,000 in contractor and term position expenditures in each of FY 2000-2001 and FY 2001-2002. These amounts were included in the Department’s claims against the frozen allotment in those years. The creation of the eight indeterminate positions would eliminate the need for these expenditures resulting in a net cost savings. The cost of these eight new FTEs is projected to decrease to \$497,660 in 2003-2004 and beyond. Thus, in future the amount available in the frozen allotment to cover ICA and GHA expenditures in excess of ICA and GHA base funding will be \$15,814,394.

As shown in Table 4, all positions were filled as directed. The frozen allotment was utilized, although the maximum yearly amount of funding available was not reached; in 2002-2003 the DFAIT’s claims against the frozen allotment were \$1,739,098 below the available maximum. (Indeed, the maximum has yet to be reached. In 2001-2002 DFAIT’s claims were \$1,188,235 below the available maximum, and in 2000-2001 DFAIT’s claims were \$3,443,654 below the available maximum.)

Table 4 - Protocol Services: Budget, Expenditures, and Results

Original Budget		2002-2003 Expenditures		Purpose / Risk Mitigated	Results
	Cost		Cost		
<u>FTEs (CBS)</u> Additional staff: • Visits (2 FTEs) • Hospitality (3 FTEs) • Diplomatic services (2 FTEs)	584,000	<u>FTEs (CBS)</u> Additional staff: • Visits (2 FTEs) • Hospitality (3 FTEs) • Diplomatic services (2 FTEs) New indeterminate positions: • Visits (4 FTEs) • Hospitality (4 FTEs)	584,000 583,060 ²⁶	<p><u>Purpose:</u> Allow the department to plan high-level visits and conferences in the knowledge that a secure source of funds exists for summit meetings and Team Canada missions.</p> <p><u>Risks:</u></p> <ul style="list-style-type: none"> • That the human and financial resources would be insufficient when required to support high level meetings or visits, such as, a prime ministerial trip abroad. • That an error occurs because of staff fatigue due to working long hours under great pressure to meet deadlines. 	<p>The PIF I supported frozen allotment system appears to have addressed past concerns regarding the adequacy of financial support for high-level visits and hospitality. So far there has not been a shortfall. If there is a shortfall in a future year, it appears that the Treasury Board is ready to cover it.</p> <p>The PIF I addition of 15 FTEs in the Office of Protocol has replaced temporary solutions to overwork - contracting out and Term employees - with a more permanent solution. The current audit addresses the overtime issue and will confirm the adequacy of this measure.</p>
<u>Other</u> International Conference Allotment	16,330,000 combined	<u>Other</u> International Conference Allotment	11,701,212		
Government Hospitality Allotment		Government Hospitality Allotment	2,306,630		
TOTAL	16,914,000	TOTAL	15,174,902		

²⁶This expenditure is projected to decrease to \$497,660 in 2003-2004.

Outputs, Outcomes, Risk Mitigation and Value Added

High level visits are part of Canada's overall foreign relations approach. High level visits can result in direct, quantifiable benefits; Prime Minister-led Team Canada missions have typically returned to Canada with millions of dollars worth of signed contracts. More often, however, visits result in indirect outcomes. In recent years Prime Ministerial visits have focused on commerce while Governor General visits have focused on cultural and political relations. In both cases benefits come in the form of new contacts, strengthened relations, greater goodwill, and an improved Canadian image abroad including the projection of Canadian values, culture and industrial capabilities.

Likewise, hosting foreign officials is a necessary part of being a player on the world stage. When foreign visitors come to Canada a favourable impression is considered a prerequisite to improved relations. As a G8 nation, Canada is held to high standards of hospitality.

While the Department provides advice on high-level missions, ultimately decisions on Prime Ministerial and Governor General trips and high level hospitality are made by the PMO and Rideau Hall. There is no overall, strategic multi-year visit schedule. Visits are essentially planned one at a time. Visits are occasionally cancelled after significant resources have been put into planning. It is therefore appropriate that, with PIF I, FAC is no longer responsible to fund out of its own Protocol budget high level trips. FAC provides strategic expertise, as is appropriate. The framework agreement even includes a provision for additional funding above and beyond the frozen allotment amount if needed.

In the case of the invitation of foreign officials to Canada, the Department is more involved. International standards dictate that when one country invites the head of another country, the inviting country pays for the cost of the visit²⁷. Accordingly, Canada places tacit limits on the number of invitations issued per year (although there is no formal policy in this regard). As a result, the Department's geographic branches vie for the opportunity to invite dignitaries of greatest interest to them. A criteria grid is used to weigh such factors as cost, potential impact, political conditions, etc. in making a final selection each year. That said, the PMO can always override departmental decisions and/or add its own invitees.

Official Visits Division. The Official Visits Division received six incremental FTEs as a result of PIF I. These positions are involved in the planning and administration of high level visits.

²⁷There are limits to what will be covered. Canada's policy - which is in line with the policies of other countries - is to provide to an invited head of state the presidential suite in a first class hotel and provide an additional 14 rooms for the visitor's party.

International Conference Allotment (ICA). In 2002-2003, 27 foreign visits were undertaken by the Prime Minister at a total cost to the frozen allotment of \$11,701,212. These included a number of short, small-party, one-day trips such as the investiture of the President of Mali (ICA expenditure: \$24,248), the UN Children's Summit in New York (ICA expenditure: \$69,068), and the Queen Mother's funeral (ICA expenditure: \$174,983). These also included several substantial, large-party trips such as the Canada-EU Summit in Spain, May 7-8 (ICA expenditure: \$1,449,474), the Francophonie Summit in Beirut, October 18-20 (ICA expenditure: \$1,101,553), and the Prime Minister's APEC/NATO/Africa mission, April 4-13 (ICA expenditure: \$1,116,434). The Governor General did not travel abroad in 2002-2003. The previous year, the Governor General's trip to Germany and Bosnia in October resulted in a claim against the frozen allotment of \$1,238,012.

The framework agreement states that "funds will be released to cover 100% of the costs of Governor General and Prime Ministerial attendance at high-level meetings and events abroad." However, at present the Department does not claim all visit-related expenditures against the frozen allotment. In particular, geographic branches absorb costs associated with such items as staff overtime and travel related to high-level visits²⁸.

Hospitality Services Division. The Hospitality Services Division received seven incremental FTEs as a result of PIF I. These positions are involved in the planning and administration of hospitality events.

Government Hospitality Allotment (GHA). In 2002-2003 17 heads of state and other high level dignitaries were hosted by Canada at a total cost to the frozen allotment of \$2,306,630. These included short, relatively inexpensive visits such as the visit to Ottawa by the Prime Minister of Kosovo in October (GHA expenditure: \$4,907) and the visit to Vancouver by the President of Cuba in March (GHA expenditure: \$11,005). Other visits were more extensive including the visit to Ontario, Newfoundland and Nova Scotia by the King and Queen of Norway in May (GHA expenditure: \$207,634), the visit to Ottawa and Montreal by the German Chancellor in June (GHA expenditure: \$293,192), and the visit of the Pope to Toronto for World Youth Day in July (GHA expenditure: \$1,643,411).

Diplomatic Corps Services. The Diplomatic Corps Division received two incremental FTEs as a result of PIF I. One position is responsible for security clearances, automobile diplomatic license plates, identification cards, visas, tracking where members of the foreign diplomatic corps reside, and liaising with Citizenship and Immigration Canada. The other position - responsible for managing privileges and immunities - liaises with the Legal Affairs Bureau, interprets the Vienna Convention on Diplomatic and Consular Relations, liaises with provincial governments and Canada

²⁸For example, one Department official estimated Europe Branch incremental expenditures in support of the Governor General's 2003-2004 Russia-Finland-Iceland visit at \$700,000.

Revenue Agency (CRA), and negotiates tax relief. These activities are undertaken as part of Canada's reciprocal relations with countries around the world, and are in line with global standards and expectations. The Office regularly receives positive feedback from the foreign diplomatic corps concerning this work.

Results. The strategic results stemming from high level visits and hospitality are beyond the scope of this report. Indeed, by their nature, the results of foreign relations activities can be long-term and very difficult to measure and attribute. Results achieved by the Office of Protocol, however, are relatively straightforward. The Office is expected to serve the needs of the visit or hospitality situation at an appropriate level, as cost-efficiently as possible, and without apparent effort. In the words of more than one official, Protocol does its job well when it is "invisible."

By all accounts the Office of Protocol performs its duties effectively in this regard. Cost efficiencies are gained through several means. Tendering processes are used in the award of large contracts to ensure highest value for money. Requests made by the PMO and Rideau Hall are scrutinized and questioned to ensure reasonableness (the potential of media attention on the cost of trips and/or hospitality provides an additional gauge against which to assess reasonableness). Wherever possible expenditures are rationalized. For example, the 9th floor hospitality dining room at the Lester B. Pearson Building has been opened to other users on a cost recovery basis, and the use of the Ottawa airport reception centre has been expanded.

As of this writing the Office of the Inspector General is completing an audit of the Office of Protocol. Although results of the audit have not yet been released, preliminary signals suggest that expenditures against the frozen allotment have been well monitored and controlled. Recommendations may be made concerning several relatively minor items such as keeping records of wine stores and developing a more consistent overtime policy.

Summary: Achievement of Purpose and Mitigation of Risks. Results are summarized in Table 4 against the original statement of purpose to be achieved and risks to be mitigated by this allocation. The PIF I supported frozen allotment system appears to have addressed past concerns regarding the adequacy of financial support for Prime Minister and Governor General led visits and hospitality for foreign heads of state. In the years since PIF I, there has not been a shortfall. If there is a shortfall in a future year, FAC will be required to request the funding through the established process for TB submission.

The PIF I addition of 15 FTEs in the Office of Protocol has replaced temporary solutions to workload problems - contracting out and Term employees - with a more permanent solution. All three divisions have benefitted from this measure. The current audit addresses the overtime issue and will confirm the adequacy of the measure.

Continued Relevance Of Funding

Questions have been asked as to whether or not the frozen allotment concept (as opposed to a conventional reference level increase) is the best way to allocate funds in support of Protocol services, and whether or not, in addition to Office of Protocol expenditures, the frozen allotment should be used to pay for geographic branch expenditures related to high-level visits. The present study does not investigate these questions to the depth required to make a recommendation; it is apparent that these questions deserve to be debated and addressed. In the meantime, within the existing arrangement, the amount and the mechanism appear to be working in favour of Canada's objectives respecting high-level visits.

ASSISTANCE TO CANADIANS ABROAD

Overview, Funded Activities

The long-term aim of the Assistance to Canadians Abroad business line is to “[satisfy] the needs of individual Canadians traveling or living abroad for official assistance²⁹.” In 2002-2003 business line expenditures totaled \$58.8 million³⁰.

Under PIF I the Treasury Board allocated to the Consular Bureau (responsible for the Assistance to Canadians Abroad Program) incremental funding in the amount of \$3.65 million. This amount represents 6.2 percent of business line expenditures in 2002-2003.

The purpose of the PIF I allocation was to create 12 new CBS positions (seven at headquarters and five abroad) and 30 new LES positions, to reclassify an existing 70 LES positions, and to provide \$500,000 to the Safe Travel Program in order to “maintain a level of assistance to the increasing number of Canadians in distress while traveling abroad, which is consistent with the increasingly higher expectations of Canadians, their representatives and the media of the level of support which should be provided by the government.” At headquarters, two incremental positions were to be established within the Client Services Division, three incremental positions were to be established within the Program Services Division, one incremental position was to be established within the Case Management Division, and one incremental position was to be established within the Emergency Operations Division. The five new CBS FTE positions abroad were to be established in Beirut, Rome, Warsaw, Havana and Ho Chi Minh City. The 30 new LES FTEs and the 70 LES reclassifications were to be distributed among the Europe, Americas and Asia-Pacific Branches according to need.

As shown in Table 5, the CBS positions were filled as directed. In the case of the headquarters positions, the 2002-2003 cost was slightly higher than initially projected (by \$6,900). In the case of the foreign positions, the cost was lower than initially projected (by \$69,639). In 2002-2003 \$500,000 was spent on the Safe Travel Program, as per the initial budget. This money was used in part to fund another 1.5 FTEs.

²⁹ *Estimates, Department of Foreign Affairs and International Trade, Performance Report for the period ending March 31, 2003*

³⁰ *Estimates, Department of Foreign Affairs and International Trade, Performance Report for the period ending March 31, 2003. Table 2, p 82. Not including grants and contributions.*

Table 5 - Assistance to Canadians: Budget, Expenditures, and Results

Original Budget		2002-2003 Expenditures		% of Business Line Expenditures	Purpose / Risk Mitigated	Results
	Cost		Cost			
<u>FTEs (CBS)</u>		<u>FTEs (CBS)</u>			<p>Purpose: Maintain a level of assistance to the increasing number of Canadians in distress while traveling abroad, which is consistent with the increasingly higher expectations of Canadians, their representatives and the media of the level of support which should be provided by the government.</p> <p>Risks</p> <ul style="list-style-type: none"> • That the existing complement of consular staff in Canada and abroad would be insufficient to maintain quality standards in the face of growing demand for services. • That a high rate of turnover in LES positions, due to the relatively low classification and compensation packages offered, would result in a decline in the level of service. • That Canadians traveling and living abroad would not have timely access to adequate consular services in the event of an emergency. 	<p>It appears that the Consular program is keeping up with the rising expectations and requirements of Canadians abroad. This is a result of continuing efforts to post consular officers where needed, support consular services from headquarters (24-hours, 7 days a week), prevent problems abroad through a comprehensive communications effort (electronic and paper based), and introduce services addressing new issues as they arise such as international child custody and abduction. PIF I funding has made a significant contribution to this achievement.</p> <p>It is also evident that Canada is better prepared, in part owing to PIF I funds, to support Canadians abroad in the event of an emergency.</p> <p>124 LES positions were reclassified; however a turnover study would be required to determine the effect of these measures on LES turnover and level of service.</p>
Consular Affairs Bureau: • Client Services Division (2 FTEs) • Program Services Division (3 FTEs) • Case Management Division (1 FTE) • Emergency Operations Division (1 FTE)	400,000	Consular Affairs Bureau: • Client Services Division (2 FTEs) • Program Services Division (3 FTEs) • Case Management Division (1 FTE) • Emergency Operations Division (1 FTE)	406,900			
New Canada-based positions (Beirut, Rome, Warsaw, Havana, Ho Chi Minh - 5 FTEs)	1,250,000	New Canada-based positions (Beirut, Rome, Warsaw, Havana, Ho Chi Minh - 5 FTEs)	1,180,361			
<u>FTEs (LES)</u>		<u>FTEs (LES)</u>				
New LES positions (30 FTEs)	1,000,000	New LES positions (24 FTEs)	1,042,671			
Reclassification of 70 LES positions	500,000	Reclassification of 124 LES positions	520,068 ³¹			
<u>Other</u>		<u>Other</u>				
Safe Travel Program	500,000	Safe Travel Program (includes 1.5 FTEs)	500,000			
TOTAL	3,650,000	TOTAL	3,650,000	6.2%		

³¹This amount falls slightly short of the actual annual cost of the 124 LES reclassifications. Cost overrun is paid from the LES Salary Reserve.

Savings obtained with respect to the cost of the new CBS positions abroad were shifted primarily to minor cost increases respecting the LES positions. At \$1,042,671, 2002-2003 expenditures on incremental LES positions were \$42,671 higher than initially projected. At \$520,068, 2002-2003 expenditures on LES reclassifications were \$20,068 higher than initially projected. The largest variation from the initial budget, however, is that 24 new LES positions were created (six fewer than the budgeted 30) while 124 LES positions were reclassified (54 more than the budgeted 70).

Outputs, Outcomes, Risk Mitigation and Value Added

In an increasingly complex and dangerous world, Canadians are traveling more now than ever before. The Assistance to Canadians Abroad Program is one of the department's core services and one of the few delivered by FAC with no direct involvement from other federal departments. Among the Department's services it is also one of the most heavily governed by international conventions. Coupled with the rising visibility of the program and rising expectations of Canadians, these factors create a challenging and evolving environment.

The Assistance to Canadians Abroad Program provides consular services in approximately 270 locations around the world and is capable of assisting Canadians anywhere there is access to a telephone 24 hours a day, seven days a week in every major language. The Program makes ample and effective use of advanced information technology to monitor international developments, forewarn Canadian travelers, and respond to emergency situations.

The PIF I FTEs that went abroad went to posts experiencing growth in demand. For example, the Havana case log in 1999 listed 661 requests for general assistance, 442 requests for legal/notary assistance, and 112 passport requests with a total of 2,573 cases opened. The Havana case log in 2003 listed 2,393 requests for general assistance, 1,120 requests for legal/notary assistance, and 189 passport requests with a total of 5,498 cases opened.

Both headquarters and mission positions contribute to addressing the overall consular workload which is increasing steadily. The Department dealt with an estimated 1,332,393 requests from abroad in 2002-2003. These led to the opening of over 179,000 cases in 2002-2003, a 14 percent increase from the previous year. 141,042 cases were successfully closed in 2002-2003.

In the Fall of 2003 an independent research company surveyed 417 individuals having received consular assistance at a Canadian mission within the past year. The most common service requested was the replacement of a passport (79% of respondents). Overall quality of service was rated highly (4.2 on a 1-5 scale). 51 percent of

respondents said the experience was better or much better than they expected while 29 percent said it was “about right.”

Client Services Division / Safe Travel Program. In 1998-1999 the Client Services Division was staffed with two FTEs with outputs limited to a few publications (the main publication at that time was *Bon Voyage, But...* - still the Division’s most popular publication) and a limited public communications program.. Growth in the Safe Travel Program has coincided with increasing expectations and needs. Today the Division is staffed with 12 FTEs. Two of these positions were funded directly by PIF I. With three other FTEs, these two positions are responsible for the Travel Reports service maintaining and updating on the web site 225 existing country/region Travel Reports on a six-month update basis plus updating Travel Reports on an as-and-when-required basis and posting *Current Issues* daily to reflect crisis situations and world events and to warn Canadians about travel risks. In 2002 the web site attracted some 1.7 million visitors. These two positions also contribute to the daily Travel Updates List-serv e-mail message and, on a rotating basis, provide on-call weekend duty.

PIF I also provided an annual allocation of \$500,000 to the Safe Travel Program. 1.5 FTEs are supported by this allocation with the balance of the money supporting publications including such items as 1,600,000 copies of *Bon Voyage, But...*; 200,000 copies of *USA Bound*; 10,000 copies of *International Child Abduction*; 230,000 copies of *Mexico: Qué pasa?* and numerous additional pamphlets, posters, videos, on-line materials. In 2002-2003, clients requested a total of 1.9 million of the Department’s consular publications.

The 1.5 positions are involved in outreach participating in major travel and trade shows across Canada, liaising regularly with the media and with such organizations as the Canadian Institute of Travel Counselors (CITC) and the l’Association Professionnelle des Agents de Voyage (APAV), and communicating with, and visiting, missions. By way of example, outreach activities in the first two weeks of the current fiscal year included the following:

- April 1 Presentation at Humber College to students in the Travel and Tourism Program.
- April 3-6 Two presentations, distribution of publications and demonstrations of the web site to some 13,000 attendees at the Travel and Leisure Show in Toronto.
- April 5 Presentation to 140 exchange program students at the University of Ottawa.
- April 10 Presentation to 100 exchange program students at Carleton University.

Program Services Division. The Program Services Division received three PIF I FTEs. These positions are responsible for overall administration within the consular program including performance monitoring and measurement, client satisfaction surveys, the management of fees, and the recovery of loans from the Distressed

Canadians Program. These positions have relieved pressure from missions by streamlining data collection and management systems and improving data integrity.

Case Management Division. In 2000-2001 PIF I added one FTE to the existing Case Management Division staff. The PIF I funded position is responsible for Canada's assistance to Canadians involved in cases of international child custody and abduction. The position provides advice to missions, liaises with foreign governments, acts as the Department's point of contact, maintains a case database, and provides advice and support to families to help get children back. The Division liaises with the RCMP, CCRA, CIC and missions. The Division provides public information on international child abduction including information about the rule of law under the Hague Convention, precautions, and what to do if your child has been abducted. Since 2001, 577 child custody and abduction cases have been opened bringing the total since the program began to 1,515. The Consular Affairs Division has been successful in concluding 350 of these cases.

Emergency Operations Division. Before 2000, 60 posts had emergency plans. Today there are 253 Consular Contingency Plans on file with the Emergency Services Section. 170 Plans are in place in South America, the Caribbean, Africa, the Middle East, Eastern Europe and Asia. All have been approved by the Head of Mission. Ongoing efforts between headquarters and the missions, including an annual review, keep these current. The remaining 83 Plans cover the United States (1 Plan per state) and Western Europe. Initial drafts have been developed and sent to missions for review before seeking Head of Mission approval.

The Division also conducts emergency exercises, hosts yearly conferences, tracks registered Canadians abroad, and contacts families in emergency situations. The ability to manage the consular aspects of major events and world crises has recently been strengthened by the development of a new crisis management program for recording and managing calls for assistance that the Operations Centre receives during a world crisis. This tool was successfully implemented during the US-led invasion of Iraq, at which time 10,450 calls were managed over a five-week period. The Operations Centre received approximately 200,000 telephone calls in total during 2002-2003, resulting in the opening of 3,400 new cases. PIF I funded one position in the Emergency Operations Division contributing to these activities.

Summary: Achievement of Purpose and Mitigation of Risks. Results are summarized in Table 5 against the original statement of purpose to be achieved and risks to be mitigated by this allocation. It appears that the Consular program is keeping up with the rising expectations and requirements of Canadians abroad. This is a result of continuing efforts to post consular officers where needed, support consular services from headquarters (providing 24-hours, seven-day-a-week service), prevent problems abroad through an increasingly comprehensive, technologically-advanced communications effort producing both web-based and paper publications, and introduce

services addressing new issues as they arise such as international child custody and abduction. PIF I funding has made a significant contribution to this achievement.

It is also evident that Canada is better prepared, in part owing to PIF I funds, to support Canadians abroad in the event of an emergency.

The *Reference Level Review* noted the possibility that, owing to low classification levels and compensation packages, turnover among LES could cause a decline in service quality. PIF I supported the reclassification of 124 LES positions which would appear to speak to this problem. Indeed, in implementing PIF I, the Bureau chose to create fewer positions in favour of raising the salary levels of existing staff. However a turnover study would be required to fully determine the effect of these measures on LES turnover and level of service.

Continued Relevance Of Funding

In an era in which foreign travel is becoming more complicated and possibly dangerous at the same time as a greater number of Canadians are traveling abroad, the need for consular services is increasing. Such factors as growing immigration to Canada, which could result in an expanded number of international child custody and abduction cases, add to the need.

Indications are that all of the PIF I supported incremental positions - seven domestic CBS, five posted CBS and 24 LES - are fulfilling critical roles in essentially the same areas originally defined by the Treasury Board decision. Overall, continued PIF I funding appears warranted.

CONCLUSIONS AND RECOMMENDATIONS

Overall Impact of Program Integrity Funding

Study evidence points to the conclusion that PIF I funds have had a significant positive impact on the ability of the Department to provide services on behalf of Canadians in support of Canada's foreign policy and trade goals.

Within the four business lines receiving funds as part of their reference levels, PIF I allocations accounted for between 0.5 percent and 6.2 percent of overall 2002-2003 branch expenditures³². These percentages appear small; however, as noted by the Treasury Board in making its decision to provide to DFAIT PIF I funds³³, on average across branches some 90 percent of expenditures are non-discretionary. On this basis PIF I funds represent a significant portion of those resources which can be used by branches in a flexible manner to respond to emerging needs. The findings of the present study bear this notion out:

- As attested to by Canada's key role in the G8 and in talks relating to international crime and terrorism treaties and conventions, Canada is more able to be "prepared and at the table" with respect to the international dialogue on security and cooperation. PIF I contributed significantly to this capacity.
- Indications are that PIF I funds are being effectively spent in support of ensuring an advantageous position for Canada at the WTO table, in settling trade disputes, in negotiating trade agreements and pro-actively responding to the global trade agenda generally. The study was unable to generate a detailed breakdown of PIF I Trade and Economic Policy FTE expenditures or a detailed account of activities and results stemming from the \$2,675,000 expenditure on "travel and professional fees related to WTO."
- PIF I funds support the International Business Development Branch in helping Canadian businesses take advantage of opportunities identified in overseas markets to expand and diversify their exports and to attract investment. PIF I funds have strengthened the capacity and operations of the International Business Opportunities Centre, the Market Research Centre and Team Canada Inc.. PIF I has allowed the Trade Commissioner Service to improve the delivery of services and products in response to the needs of business clients via the transformation of the Client Service Fund as well as more sharply-defined service standards and modern management processes. An upcoming evaluation of the Client Service Fund affords an opportunity to generate a more detailed account of activities and results stemming from \$3,651,000 in PIF I monies allocated to trade promotional activities and the Client Service Fund.

³²Excluding grants and contributions.

³³*Treasury Board Decision: Department of Foreign Affairs and International Trade: Program Integrity Review, June 2000*

- The PIF-I-supported frozen allotment system appears to have addressed past concerns regarding the adequacy of financial support for Prime Minister and Governor General led visits and hospitality for foreign heads of state. In the years since PIF I, there has not been a shortfall. Questions have been raised as to the continued appropriateness of the frozen allotment approach (*versus* alternative approaches) and as to the rules of expenditure reimbursement within the Department.
- The Consular program appears to be keeping up with the rising expectations and requirements of Canadian travelers through consular officers abroad, a 24-hour, seven-day-a-week operations centre, a comprehensive communications and outreach program and other initiatives. PIF I funding has made a significant contribution to this achievement.

A desire to consult effectively with a full range of stakeholders was a theme running throughout the Treasury Board decision to provide to DFAIT PIF I funding. In part as a result of the additional resources made available by PIF I, branches have established and are engaged in comprehensive consulting relations. The International Security and Cooperation Branch consults a wide variety of partners both domestically and internationally particularly in its anti crime and terrorism work. The Trade and Economic Policy Branch works in partnership with other government departments such as Environment Canada, Natural Resources Canada, and Human Resources Development Canada and appears to actively consult on an ongoing basis a full range of domestic and international partners and stakeholders. The International Business Development Branch works directly on a daily basis with most major federal government departments and agencies as well as a network of stakeholders across Canada.

The overall conclusion emerging from the evidence is that PIF I funds have been used for their intended purpose in support of an effectively managed array of modern services and activities leading to the achievement of relevant foreign policy and trade goals. PIF I has provided incremental support without which the current quality and scope of Canada's foreign affairs and international trade programs would be at risk. PIF I has clearly made a difference to the Department's ability to fulfill its mandate.

The full, summative evaluation will provide an empirical verification of this conclusion, and will provide an analysis of the ability of FAC and ITCan to continue to achieve Canada's foreign policy and trade goals in light of changes in global conditions since the 1999 *Reference Level Review* on which PIF I was based and any further changes in departmental reference levels that may stem from the current expenditure review / reallocation exercises.

Variations in PIF I Expenditures

Between originally budgeted figures and actual expenditures, shifts in PIF I allocations occurred for two reasons. First, some items ended up costing less or more than projected. For example, the actual cost of seven Consular FTEs established at headquarters was \$6,900 higher than projected while the actual cost of five Consular CBS FTEs established overseas was \$69,639 lower than projected. Secondly, changing external circumstances led to decisions to move resources where most needed. For example, changes in the course of WTO negotiations, influenced by world events, required considerably more flexibility in expenditures than originally anticipated. Across the Department PIF I funds were reallocated as follows:

Minor Variations

- In the International Business Development Branch a small portion of \$500,000 from Go Teams, \$600,000 from Win Export and \$471,000 saved on the cost of FTEs abroad was shifted into minor increases for the MRC, the IBOC, Team Canada Inc and the Performance Measures Initiative.
- With approval from the Treasury Board, the Office of Protocol shifted \$583,060 from the \$16.33 million frozen allotment for the creation of eight new FTEs positions in addition to the seven already created with PIF I funds.
- In 2002-2003 \$500,000 was spent on the Safe Travel Program, as per the initial budget. This money was used in part to fund 1.5 FTEs not originally projected.
- Savings obtained by the Assistance to Canadians program with respect to the cost of the new CBS positions abroad were shifted primarily to minor cost increases respecting the LES positions; expenditures on incremental LES positions were \$42,671 higher than initially projected (although six fewer positions were created) and expenditures on LES reclassifications were \$20,068 higher than initially projected (with 54 more reclassifications taking place).

Major Variations

- The Trade and Economic Policy Branch allocated to the creation of FTEs \$1.55 million less in PIF I resources than initially proposed (including placing one fewer officer in Geneva) shifting this money, plus another \$125,000 initially proposed to support operational items, to travel and professional services fees related to WTO bringing the total PIF I funded expenditure on this item to \$2,675,000. Even in doing so, the Branch created 11 more FTE positions at headquarters than initially proposed for a total of seven FTEs in the Legal Affairs Bureau and 31 FTEs in the Trade and Economic Policy Branch. A detailed listing was not available pertaining to 27 Trade and Economic Policy Branch headquarters

positions in support of WTO, FTAA and related trade policy development and negotiations.

- In the International Business Development Branch the main portion of \$500,000 from Go Teams, \$600,000 from Win Export and \$471,000 saved on the cost of FTEs abroad was shifted into an increase of \$1,351,100 to trade promotional activities and the Client Service Fund bringing the total PIF I funded expenditure on this item to \$3,651,100.

Indications are that program managers assessed and responded to new risks as they arose. Shifts in PIF I resources reflect changing conditions and, if anything, are likely a sign of effective, pro-active management practices. However, in the case of the two major variances, a more detailed account of expenditures is warranted.

An up-to-date snapshot of PIF I expenditures for FAC/ITCan as a whole is provided in the table on the following page which lists items and costs as originally budgeted and as spent in 2002-2003. Where possible, items are broken down in terms of the branch where the allocation resides. As can be seen, in comparison to the 96 FTEs budgeted, 110.5 FTEs were created. Despite this increase, at \$10,308,192, FTE expenditures were nearly \$1.5 million less than projected. This money was shifted into the direct expenditures category.

FAC/ITCan PROGRAM INTEGRITY I - SUMMARY OF ALLOCATIONS AND RE-PROFILING				
	Original Budget³⁴		2002-2003 Expenditures³⁵	
		<u>Cost</u>		<u>Cost</u>
<u>Headquarters Staff</u>				
International Security and Cooperation	3 FTEs	\$350,000	3 FTEs	360,200
Trade Policy	16 FTEs ³⁶	2,749,000	28 FTEs	1,634,000
Legal	10 FTEs ³⁷	1,701,000	10 FTEs	1,549,000
Protocol	7 FTEs	584,000	15 FTEs	1,167,060
Consular	7 FTEs	400,000	8.5 FTEs	556,900
<u>Staff Abroad</u>				
Foreign Service	2 FTEs ³⁸	500,000	2 FTEs	381,900
Trade Commissioner Service	11 FTEs	2,000,000	11 FTEs	1,528,100
Trade Policy / Negotiations / Dispute	5 FTEs	1,221,000	4 FTEs	908,000
Consular	<u>35 FTEs</u>	<u>2,250,000</u>	<u>29 FTEs</u>	<u>2,223,032</u>
Sub-total	96 FTEs	11,755,000	110.5 FTEs	10,308,192
<u>Other Expenditures</u>				
WTO / Other Trade Negotiations		1,000,000		2,675,000
Trade Promotion / Client Service Fund		2,300,000		3,651,100
Other International Business Development		1,625,000		680,900
High-level Visits / Hospitality		16,330,000		15,746,940
Safe Travel		500,000		350,000
Reclassifications and Miscellaneous ³⁹		<u>1,020,000</u>		<u>1,117,868</u>
Sub-total		<u>22,775,000</u>		<u>24,221,808</u>
TOTAL		\$34,530,000		\$34,530,000

³⁴Where cost breakdowns were not given, figures estimated.

³⁵Non-audited figures.

³⁶Fifteen of these positions were originally included in the budget of the Trade and Economic Policy Branch while one, the Environment and Sustainable Development Relations Division position, was originally included in the budget of the International Security and Cooperation Branch. Although, with the ongoing re-organization, it is not certain where this position will end up, it is placed here for convenience.

³⁷Seven of these positions were originally included in the budget of the Trade and Economic Policy Branch and three were included in the budget of the International Security and Cooperation Branch.

³⁸One of these positions is the Ramallah position and the other is the Francophonie position, both included in the budget of the International Security and Cooperation Branch.

³⁹Includes minor surplus in ISC as explained in text, PWGSC accommodation surcharges, 16 reclassifications in the MRC, and 124 reclassifications in the Consular Bureau.

Questions have been asked as to whether or not the frozen allotment concept (as opposed to a conventional reference level increase⁴⁰) is the best way to allocate funds in support of Protocol services, and whether or not, in addition to Office of Protocol expenditures, the frozen allotment should be used to pay for geographic branch expenditures related to high-level visits. While the present study does not investigate these questions to the depth required to draw valid conclusions, it is apparent that these questions deserve to be debated and addressed.

Recommendations

RECOMMENDATION 1. Respecting Trade and Economic Policy, it is recommended:

- that a listing be generated of the 27 Trade and Economic Policy headquarters positions in support of WTO, FTAA and related trade policy development and negotiations, and that this listing be reconciled against the positions described in the original PIF I budget;
- that a record be generated of activities and results associated with the PIF I funded \$2,675,000 travel and professional services budget; and,
- that the findings of these exercises be made available to the Department and to the Treasury Board.

MANAGEMENT RESPONSE

The Economic and Trade Policy Branch conducted an in-depth review of all Branch expenditures during 2002-2003. The results of this review revealed the following: The total number of the positions created from PIF funding has been increased to 45 (including 10 legal positions) from the original budget of 27 positions. Consequently, these increased the total salary costs from \$2.417 Million included in the evaluation report on (page 12, table 2) to \$3,440 Million in actual expenditures for 2002-03.

The costs of professional services presented in the evaluation report on (page 12, table 2) has decreased by an equivalent amount i.e. from \$2.675 Million to \$1.651 Million.

Finally, the total operating expenditures associated to WTO and FTAA from the Economic and Trade Policy Branch total \$4 Million in 2002-03 from which \$1.651 Million was taken from the PIF funds and the difference \$2.349 Million from existing Branch reference levels.

⁴⁰There are, apparently, several ways to make available a pool of funds for a prescribed, but unpredictable, set of activities such as high-level visits and hospitality. Among these approaches are options that would transfer the funds to the Department with provisions to “fence” the money or otherwise ensure its availability for the prescribed use.

RECOMMENDATION 2. Respecting International Business Development, it is recommended:

- that, among its other uses, the planned evaluation of the Client Service Fund be used to identify and assess the continued relevance, efficiency and effectiveness of initiatives associated with the PIF I funded \$3,651,000 allocated to trade promotional activities and the Client Service Fund; and,
- that the findings of this exercise be made available to the Department and to the Treasury Board.

MANAGEMENT RESPONSE

The evaluation of the Client Service Fund is currently underway and will be completed at the end of March, 2005. The evaluation report will be shared with Treasury Board Secretariat, and will include the recommendations and the management response.

RECOMMENDATION 3. Respecting Protocol Services, it is recommended:

- that the efficacy of the frozen allotment model *versus* other possible approaches be examined and, if warranted, that the funding model be modified;
- that the rules that determine which expenditures are covered under the International Conference Allotment and the Government Hospitality Allotment be examined and updated as appropriate; and,
- that, as a result of these exercises, the September 1, 2000 Framework Agreement be revised.

MANAGEMENT RESPONSE

The Protocol office, with the assistance of Planning, Program Analysis and Budgeting Division (SMPA) and Treasury Board Secretariat, reviewed funding models to identify the advantages and disadvantages of maintaining the current Treasury Board frozen allotment mechanism, move to a permanent release of funds from the frozen allotment, or a transfer of funds to a Special Purpose Allotment. The review of the funding models was completed and we are awaiting Treasury Board Secretariat final response on the issue.

The Protocol office reviewed the International Conference Allotment (ICA) and Government Hospitality Allotment (GHA) expenditure rules. The process included consultations with Geographics AMAs and ADMs to identify official visits funding pressures that are presently not covered by the ICA or the GHA. The internal consultation was completed and there will be no modification to the existing expenditure rules governing GHA and ICA funding.

The Protocol office, with the assistance of SMPA submitted recommendations regarding a modified funding model and updated expenditure rules to FAC senior management for decision in February 2005, and was approved on May 4, 2005 .

As required by the TB decisions 828228 of June 15, 2000 and 830310 of February 6, 2003, the Protocol office, with the assistance of SMPA, will prepare a TB Submission which will include the 2004 the Evaluation Report and Implementation Plan. The submission will also include any proposed revisions to the Framework Agreement and any changes to the funding model and expenditure rules. The submission will be completed by April, 2005.

**APPENDIX A:
INTERVIEWEES**

INTERVIEWEES

Assistant Deputy Minister, Trade, Economic and Environmental Policy and Chief Negotiator for the WTO

Assistant Deputy Minister, Corporate Services, Passport, and Consumer Affairs

Assistant Deputy Minister, International Business and Chief Trade Commissioner

Associate Assistant Deputy Minister, Commercial, Economic and Environmental Policy, Trade, Economic and Environmental Policy

Director General, International Organizations Bureau, Global and Security Policy

Director General, Legal Affairs Bureau

Director General, Trade Commissioner Service Market Development Bureau, International Business

Deputy Chief of Protocol and Director, Official Visits Division, Office of Protocol, Corporate Services, Passport, and Consumer Affairs

Director, Area Management Office – Global and Security Policy

Director, Overseas Operations, Trade Commissioner, Service Overseas Programs and Services, International Business

Director, Case Management, Consular Affairs Bureau, Corporate Services, Passport, and Consular Affairs

Director, Area Management Office - Europe

Director, Area Management Office, Trade and Economic Branches

Director, Program Services, Consular Affairs Bureau, Corporate Services, Passport, and Consular Affairs

Director, Diplomatic Corps Services, Office of Protocol, Corporate Services, Passport, and Consular Affairs

Director, Northern Europe Division, European Union, North and West Europe Bureau

Director, Environment and Sustainable Development Relations Division

Director, International Crime and Terrorism Division, Global and Security Policy

Director, Area Management Office - Americas

Director, Export Development Division, Trade Commissioner, Service Overseas Programs and Services, International Business

Director, Management Services Division, Office of Protocol, Corporate Services, Passport, and Consular Affairs

Director, Area Management Office for Africa and Middle East

A/Director, Emergency Services, Consular Affairs Bureau, Corporate Services, Passport, and Consular Affairs

A/Director, Market Research, Trade Commissioner Service Market Development Bureau, International Business

A/Director, Client Services, Consular Affairs Bureau, Corporate Services, Passport, and Consular Affairs

Deputy Director/Budget Officer, Management Services Division, Office of Protocol, Corporate Services, Passport, and Consular Affairs

Deputy Director, Policy and Strategic Planning Division, International Business Development Policy and Planning, International Business

Deputy Director, International Business Opportunities Centre, Trade Commissioner, Service Overseas Programs and Services, International Business

Deputy Director, Policy and Strategic Planning Division, International Business Development Policy and Planning, International Business

Deputy Director, Area Management Office - Corporate Services, Corporate Services, Passport, and Consular Affairs

Deputy Director, Policy and Strategic Planning Division, International Business Development Policy and Planning, International Business

Deputy Director, Arabian Peninsula, Maghreb and Arabian Peninsula Division, Middle East and North Africa Bureau, Africa and Middle East

Deputy Director, Program Services, Consular Affairs Bureau, Corporate Services, Passport, and Consular Affairs

Deputy Director, Program Analysis, Planning, Program Analysis and Budgeting Division, Corporate Services, Passport, and Consular Affairs

A/Deputy Director and Head of Hospitality Services, Official Events Division, Office of Protocol, Corporate Services, Passport, and Consular Affairs

Policy and Strategic Planning Division, Trade Commissioner Service

Senior Corporate Planner, Strategic Planning, Planning, Program Analysis and Budgeting Division, Corporate Services, Passport, and Consular Affairs

Senior Program Analyst, Planning, Program Analysis and Budgeting Division, Corporate Services, Passport, and Consular Affairs

Audit Division, Office of the Inspector General