82% of Ontario's expenditures (Budget 2015-16) are distributed through approximately 6000 transfer payment organizations, many of them from the nonprofit sector. They help deliver a wide range of policies and services. Several initiatives have recognized that the transfer payment process imposes too much administrative burden on both nonprofits and on government. Consequently, modernization of these transfer payments is seen as needed, and as a crucial part of creating a modern government. This was reiterated in the last Budget.

The Transfer Payment Administrative Modernization (TPAM) initiative helps to reduce the administrative burden for both the funder and the recipient while enhancing accountability of transfer payments. TPAM, in partnership with the Ontario Nonprofit Network, engaged transfer payment recipients from the nonprofit sector and staff from the Ontario Public Service to develop principles that guide the modernization of transfer payment administration. This engagement process was held between October and December 2015. It was designed and facilitated by MaRS Solutions Lab.

Over 53 representatives from the NFP sector and OPS staff participated in two engagement sessions. There was an open, honest and fruitful conversation in which all participants could share their perspective. Common themes emerged. The process helped to build common understanding and energized everyone involved to work together on modernizing the transfer payment system in a way that benefits all. The six guiding principles have been synthesized from the outcomes of both sessions.

These principles help policymakers and administrators define which actions to take when designing, implementing and modernizing transfer payment administration. This will help to create greater impact for each public dollar spent.

These principles provide the foundation and guide the work underway to transform the transfer payment system. They do not work in isolation, but together they provide a solid base for transfer payment administrative modernization. Once accepted by the Government of Ontario, the principles will need to be validated and translated into action.

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This is a summary of a report produced for the Transfer Payment Administrative Modernization Office. The full report by MaRS Solutions Lab is available at their website: www.solutions-lab.marsdd.com

TBS MaRS Solutions Lab
THERE ARE THREE GUIDING PRINCIPLES FOR CREATING TRANSFER PAYMENT RELATIONSHIPS

**STEWARDSHIP**
Public resources produce best value where expected outcomes are most clearly defined, and the programs and organizations are focused on enabling and achieving those outcomes.

The focus of transfer payment administration should include the right mix of activities and results. This will reduce administrative burden because reporting is on mutually agreed upon indicators and data that demonstrate value for money. This will also help recipients better plan for activities, and give them more flexibility to decide how to achieve most effectively the agreed upon results. Both quantitative and qualitative indicators may be useful to demonstrate these results. To measure this effectively, relevant data may need to be shared or capacity needs to be built. It also needs to be recognized that choices always have to be made. The goal of each transfer payment is to achieve the best possible outcomes given the available resources.

**ACCOUNTABILITY**
Parties to a transfer payment agreement must be accountable for addressing expected outcomes. Good administration supports accountability by providing transparency and capacity to deliver.

Government is accountable for defining program objectives, allocating resources and providing necessary oversight. Transfer payment recipients are accountable to deliver agreed-upon results. Two-way transparency is an essential enabler for accountability. Good administration is needed to support that, as well as capacity to deliver. Activities lumped under administrative costs are often undervalued but can increase the efficiency of the organization and the quality of program delivery. Both parties need to ensure administrative costs and administrative requirements are fair, balanced and adequately rewarded.

**RECIPROCAL RESPECT**
A transfer payment is the result of a partnership based on reciprocal respect.

Government enters into transfer payment agreements with many different organizations. Successful relationships need both parties to understand and respect each other’s mandate and purpose. In this context, a transfer payment agreement provides structure for an undertaking between parties where their objectives are aligned.

**SIMPLE**
Processes are streamlined and digitized, definitions and templates are standardized, and language is concise and clear to support clear communication and common understanding. Information is only requested when there is a plan to use it.

Transfer payment administration should be simple. Definitions, timelines and templates tend to vary per program, creating administrative burden and planning difficulties, specifically for those organizations that receive multiple transfer payments. Streamlining would allow for a more unified administration for both funder and recipient. Digitization would even further reduce administrative burden, as it becomes easier and less onerous to submit, store and manage relevant information. It should always be clear to what purpose certain information needs to be submitted or reported, with a clear relation between that information and the goals of the program. Therefore, only request information when there is a plan to use it. The use of clear and concise language helps to prevent misunderstandings that could lead to needless work on both sides.

**FLEXIBLE**
Budget flexibility allows transfer payment recipients to adjust and innovate to deliver expected outcomes and meet community needs within appropriate and transparent financial guidelines.

Transfer payments should allow flexibility to invest resources most effectively. Currently, budgets are often complex and rigid, and do not allow for adjustments based on delivery experience or a changing environment for ongoing programs. This can sometimes hinder program delivery and be frustrating, as it seems more important to stick to the terms as originally agreed upon than to achieve a more impactful outcome. This can lead to ineffective spending of resources and extra administrative burden. Allowing budget flexibility within appropriate and transparent financial guidelines can help deliver outcomes, or even exceed them.

**PROPORTIONAL**
Application processes, reporting and other requirements are reasonable and proportional to the value of the funding and risk profile of the funding arrangement.

Transfer payment processes and requirements should be proportional to the value of the funding and the risk profile of the agreement. The higher the value and the risk, the more information, or the higher the frequency thereof, can be required. Risks associated with the recipient organization should be standardized into one consistent rating system across the government of Ontario. This will reduce administrative burden, especially for the organizations with multiple funders, and will also make assessing risks easier for administrators. Risks associated with programs need to be assessed by each Ministry, best practices should be shared. Having a reasonable and proportional approach to administration reduces administrative burden for both funder and recipient while enhancing accountability.