

# **Chapter 5**

## **Collaborative Arrangements**

Issues for the Federal Government



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# Collaborative Arrangements

## Issues for the Federal Government

### Main Points

**5.1** Collaborative arrangements are an alternative way — a potentially more innovative, cost-effective and efficient way — to deliver programs and services that traditionally have been provided by federal government departments and Crown corporations. In collaborative arrangements, the federal government, other levels of government and organizations in the private and voluntary sectors agree to share power and authority in decisions on program and service delivery.

**5.2** With the growing use of these arrangements, more taxpayer dollars are being spent and the risks need correspondingly more attention. The risks include arrangements set up poorly among the partners, limiting their chances for success; partners not meeting commitments; insufficient attention to protecting the public interest; insufficient transparency; and inadequate accountability.

**5.3** We believe that serving the public interest, effective accountability and greater transparency are basic elements of a framework for these arrangements, and we suggest questions that parliamentarians might wish to raise when assessing them.

### Background and other observations

**5.4** In the desire for greater efficiency, it is very important that the federal government and its partners not lose sight of the public purpose behind the collaborative arrangement, and of the need to provide transparent, fair and equitable service to the public.

**5.5** Effective accountability is more complex in a collaborative arrangement. The federal government is accountable to Parliament for the use of federal funds and authorities, to its partners for keeping its commitments, and, with its partners, to the public for the results the arrangement produces. In our view, this shared accountability means that more parties are accountable and it in no way lessens the federal government's accountability for its own responsibilities in the arrangement.

**5.6** Delivering programs and services to the public through collaborative arrangements often requires more transparency than traditional delivery by a government department. Because partnerships are involved, it may be more difficult for citizens to know who is responsible. Consequently, the federal government needs to be as open as possible with information about agreements, decisions and results of the arrangements.

**5.7** The Treasury Board Secretariat has informed us that it intends to continue to provide advice and to develop guidance on collaborative arrangements for federal departments and agencies that will address many of the issues identified in this study.



## Introduction

**5.8** This study examines collaborative arrangements between the federal government, other levels of government and the private and voluntary sectors.

**5.9** Collaborative arrangements, also called partnering, are increasingly being used in federal program and service delivery as a management tool and to share power and authority with the government's partners in making decisions. In our view, they have the potential to be an innovative, cost-effective and efficient way of delivering programs and services.

**5.10** Examples of collaborative arrangements include:

- the Canada Infrastructure Works program;
- Labour Market Development Agreements with the provinces and territories; and
- The National Action Program on Climate Change and related initiatives.

**5.11** Another study in this Report, Chapter 6, examines two federal-provincial-territorial programs of what has become known as the "social union". These programs, the National Child Benefit and Employability Assistance for People with Disabilities, illustrate many of the challenges of collaborative arrangements. In particular, they show the need for overall reporting when there is shared accountability, and the desirability of obtaining comparable and accurate data from the different partners.

**5.12** The Treasury Board has expressed the rationale for the use of a collaborative arrangement as an alternative to the traditional federal structure of departments, agencies and

Crown corporations in the following terms:

The government will cooperate and develop partnering arrangements among departments and with other levels of government and other sectors of the economy. These arrangements will help it create new working relationships, exercise influence and leadership in the national interest, avoid costly duplication and overlap in services, and build on the strengths and capacity of other sectors to provide programs and services that are responsive to the client, innovative and affordable. (*Framework for Alternative Program Delivery*, 1995)

**5.13** The government has stated:

There are many alternatives to traditional departmental structures for delivering programs, and the government is vigorously pursuing those alternatives... Partnerships are an important form of alternative service delivery. Partnering with other governments, voluntary organizations and the private sector helps the federal government reduce overhead costs and duplication, and bring services closer to citizens. (*Getting Government Right: Governing for Canadians*, 1997)

**5.14** We undertook this study for several reasons:

- More taxpayer dollars are being spent this way. Partly because of Program Review, the federal government has been making greater use of collaborative arrangements and has committed itself to doing still more.
- There are risks that deserve attention. These include the risk of poorly defined arrangements, limiting the chances for success; partners not meeting commitments; insufficient attention to protecting the public interest; insufficient transparency; and inadequate accountability.
- Many collaborative arrangements are new and not well understood.

**Collaborative arrangements have the potential to be innovative, cost-effective and efficient.**

**As more taxpayer dollars are being spent through collaborative arrangements, there are risks that deserve attention.**

**Collaborative arrangements have common objectives tied to a public policy purpose, shared governance and written agreements on governance and financing.**

**5.15** The choice of a collaborative arrangement as the means of program and service delivery is a policy decision of the federal government, which has consequences for Parliament and the Canadian public. In a collaborative arrangement, the federal government is one of a number of partners, and the partners operate in a governance regime where together they determine how key decisions will be made. As a result, accountability to ministers, to Parliament and to the public may become diffused unless care is taken in establishing and managing the arrangements. In contrast, a government department is directly accountable to the responsible minister, who answers for it in Parliament, and it operates within established rules and procedures for the allocation, control and management of human and financial resources.

**5.16** In our view, there is a need to better understand how to manage the risks associated with collaborative arrangements. There is also a need to know what questions to ask and what issues to consider when assessing these arrangements.

**What are collaborative arrangements?**

**5.17** For the purposes of this study, we are examining arrangements among autonomous organizations. These arrangements have the following features: common objectives tied to a public policy purpose, shared governance, and written agreements on governance and financing.

**5.18 Common objectives tied to a public policy purpose.** The collaborative arrangement reflects an involvement of the federal government as well as other parties in the lives of Canadians, within the legal framework approved by Parliament. In this context, the federal government and its partners pursue common objectives and results that have a public policy purpose.

**5.19 Shared governance.** The participating organizations share governance related to public policy as well as to the way in which the arrangement itself is governed. The process for making strategic decisions about collective activities is based on agreement by the participating organizations. They agree on the decisions that matter for the collaborative arrangement and that determine its future course of action. They also share the risks involved in those decisions. There is consultation among the organizations, so that decisions are not taken unilaterally. The way decision making is shared and to what extent will vary considerably with the type of arrangement.

**5.20 Written agreements on governance and financing.** The organizations need to recognize the importance of agreeing on ways to steer the collective effort, as well as the importance of controlling the use of resources. A variety of mechanisms and types of agreements may be used.

**5.21 Arrangements excluded from the study.** We have excluded the type of collaborative arrangement that involves only federal organizations. An example is the Federal Buildings Initiative, which Natural Resources Canada promotes to other federal departments to encourage comprehensive energy efficiency upgrades and retrofits in federal government facilities. While the issues facing collaborating federal organizations are significant and deserving of attention, they are not the same as those between the federal government and outside parties.

**5.22** Other arrangements not examined in this study include:

- contracting for goods and services, and related circumstances where an entity outside the federal government acts as its agent (such contracting may occur within a collaborative arrangement; however, if the relationship is limited to that of a contractor or agent, the opportunities for collaboration are likely limited because



the federal government specifies the terms and conditions that must be met);

- for the same reasons, traditional grants and contributions that do not involve collaboration; and
- arm's-length relationships — where organizations exercise independent authority to spend federal funds (for example, the Canada Foundation for Innovation).

### Focus of the study

**5.23** The objectives of the study were to examine the major issues related to effective participation in collaborative arrangements, identify desirable attributes of agreements and good implementation practices, and provide a framework for parliamentarians to assess the arrangements. A number of arrangements are presented as examples throughout the study; additional information about them can be found in the Appendix. Further details on the study are discussed at the end of the chapter in the section **About the Study**.

## Observations

### The Challenge of Collaborative Arrangements

**5.24** Building and maintaining collaborative arrangements is an alternative way of delivering government programs and services that requires the federal government to share program management and delivery with its partners. These arrangements require special effort and are not easily established or maintained. To a significant extent, they depend on the leadership shown by the key parties.

#### Ensuring effective leadership

**5.25** The basis for a collaborative arrangement is the accomplishment of

mutually beneficial tasks. Each participating organization expects that the arrangement will lead to better client service or other benefits to Canadians than it alone could provide. To this end, the arrangement needs leadership to create a vision of where the partners want the arrangement to go and to translate that vision into reality. The nature of the leadership needed will depend on the nature of the collaborative arrangement, the tasks to be done and the roles and responsibilities of the partners.

**5.26** The identification of leadership roles may be a challenge. It should not be assumed that the federal government will always take the lead, particularly when other levels of government are involved or a number of partners are contributing equally. Rather, leadership needs to be based on expertise and level of involvement, and established through action, commitment and working co-operatively with other partners.

**5.27** There are different levels and phases of leadership in a collaborative arrangement. Top-level political and bureaucratic leadership is often necessary to initiate an arrangement. These leaders need to demonstrate clear, consistent and visible commitment to the common objectives. Leadership at the level of program management is also essential. In addition, when more than one federal department is involved, a champion or leader in each department may be needed to take issues forward. Finally, to sustain the arrangement, buy-in and commitment are needed from front-line managers and staff.

**5.28** In some collaborative arrangements, the federal government does provide leadership. For example, in the National Action Program on Climate Change, the federal government indicated that it is committed to strong leadership to make sure that Canada stays on track to meet agreed targets (see Exhibit 5.1). In other cases, the commitment may be implied rather than stated explicitly. For

**The arrangement needs leadership to create a vision of where the partners want to go and to translate that vision into reality.**

**Building and maintaining collaborative arrangements requires special effort that depends on the leadership shown by the key parties.**

**Collaborative arrangements need to overcome many obstacles.**

instance, in initiating a program the federal government may assume a leadership role.

**Dealing with complex relationships**

**5.29** Collaborative arrangements need to overcome many obstacles, ranging from the complexity of the activity to differences of view among the partners. Each participating organization pursues goals related to its own interests as well as the common goals of the arrangement. In the case of governmental partners, different legislative mandates also apply. Different approaches to managing people may also complicate the relationships among the partners. The genuine need for a collaborative arrangement must be strong enough to overcome these obstacles.

**5.30** Cases such as climate change and the North American Waterfowl Management Plan illustrate the complexity of collaborative arrangements. Both involve other levels of government and the treaty power of the federal government. Partners in collaborative arrangements may be disparate organizations, including various levels of government, First Nations and private corporations. An example is the Canadian Model Forest Program.

**Co-ordinating efforts among partners and within the federal government**

**5.31** Experience suggests that establishing a co-ordination capacity makes the arrangement work better. A co-ordinator can be an organization, an individual or a body, such as a board or committee. The co-ordination capacity begins with a clear understanding of the autonomy of the participating organizations, thereby defining the scope for action for each party. Effective co-ordination then gradually improves performance by averting conflict, arbitrating differences and establishing priorities. It depends on good communication and on information systems aimed at voluntary compliance.

**5.32** We observed the use of secretariats as co-ordinators in a number of arrangements. An arm of a federal department may fulfil this role or, as in the Canada Infrastructure Works program, a joint federal-provincial body. Our 1996 audit of Phase I of that program found that federal-provincial relations were particularly positive in cases where jointly funded secretariats had been established (see Exhibit 5.2).

**5.33** The background to federal participation generally includes related program activity in one or more departments. The respective roles and responsibilities of those departments are

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**Exhibit 5.1**

**Ensuring Effective Leadership in Climate Change**

Canada is a party to international agreements on climate change, and the federal government is involved in arrangements with the provincial and territorial governments to implement these agreements in reducing greenhouse gas emissions. The two key federal departments involved are Environment Canada and Natural Resources Canada; many activities of both departments support climate change initiatives. We reported on an audit of climate change in the 1998 Report of the Commissioner of the Environment and Sustainable Development.

Notwithstanding the federal government's commitment to provide strong leadership on climate change, our audit identified, as a key element in managing climate change commitments, the need to specify the leadership roles and responsibilities of all federal players as well as all levels of government. We found that the management structure did not adequately specify federal responsibilities. This has contributed to an implementation gap, with performance falling short of expectations.

The key federal departments report that since the release of our audit findings in May 1998, they are actively addressing these concerns.

sometimes not clear. The autonomy of a minister and his or her department from other ministers and departments may complicate an arrangement. Thus it is incumbent on those responsible for federal participation to be aware of related authorities and activities in other departments and to ensure a cohesive, consistent approach.

**Building trust and confidence**

**5.34** The essence of collaboration is mutual trust and confidence among the parties to the arrangement. Little can be accomplished without it. Establishing trust and confidence depends on each party's belief that the other parties have the skills and resources to do the job. It also depends on commitment and on the good faith demonstrated in making and implementing agreements. The parties to the arrangement need to consult fully with each other and share in decision making to ensure that their interests are considered and, where possible, protected.

**5.35** We observed different approaches to building trust. In the Canada Infrastructure Works program, the division of responsibilities between the federal and provincial governments was based on the comparative expertise of each level of government. This approach contributed to positive relations between them. Implementing the Canadian Industry Program for Energy Conservation requires confidence in the capacity of the private sector, since private sector voluntary

targets are used in place of other policy instruments to attain program objectives.

**A Framework for Assessing Collaborative Arrangements**

**5.36** We believe that the federal government needs to manage the risks of participation in a collaborative arrangement by focussing on serving the public interest, effective accountability and greater transparency.

- **Serving the public interest.** In providing programs and services to Canadians, there are always a number of parties whose interests are at play: the taxpayer, special interest groups, recipients of the programs and services and, in many collaborative arrangements, the private sector. As government and its partners pursue a public policy purpose, they need to balance competing interests and ensure that the public purpose and the need to provide transparent, fair and equitable service are not lost in the desire for greater efficiency.
- **Effective accountability arrangements.** In a collaborative arrangement, the federal government is accountable to the Canadian Parliament for the use of federal public funds and authorities, to its partners for delivering on its commitments and, with its partners, to the public for the results achieved.
- **Greater transparency.** Collaborative arrangements involving the

**The essence of collaboration is mutual trust and confidence among the partners.**

This time-limited federal-provincial program was established in 1994 to assist in funding the maintenance and development of infrastructure, defined as physical capital assets instrumental in the provision of public services. The program involves a number of federal departments, with central co-ordination from the Treasury Board Secretariat. We audited Phase I of the program in 1996, and will report on Phase II later this year.

Federal-provincial secretariats were used as one means to co-ordinate delivery of the program. Our audit found that federal-provincial relations were particularly positive in Alberta and Manitoba, where jointly funded secretariats had been established. Among other things, these secretariats provided a focal point for contact and information, and permitted the development of joint operational databases.

**Exhibit 5.2**  
**Co-ordinating Efforts Among Partners – Canada Infrastructure Works Program, Phase I**

**Meeting the objective of greater efficiency should not compromise the objective of achieving the intended results.**

federal government need to be as open as possible with information on the agreements, decisions, objectives, targets and achievements.

**5.37** For each of the three elements, we have identified what we believe are desirable attributes of agreements and good implementation practices, and have developed a series of questions that parliamentarians may wish to use as a framework for assessing collaborative arrangements. These questions are summarized in Exhibit 5.3.

### **Serving the Public Interest**

**5.38 Are objectives being met?** The use of a collaborative arrangement is usually linked to a desire for better, more affordable federal program and service delivery. Over time, the arrangement should achieve its intended results.

**5.39 Is serving the public interest being given appropriate emphasis?** A collaborative arrangement may enhance flexibility, cost effectiveness and citizen participation in program and service delivery. The federal government is constantly seeking more efficient ways to

deliver programs and services, such as arrangements with the private sector and through “single windows” — the use of common facilities with provincial governments. However, meeting this objective of greater efficiency should not compromise the objective of achieving the intended results. In addition, given the complexity of collaborative arrangements, care has to be taken in enhancing accountability.

**5.40** The suggested elements of a workable collaborative arrangement — enhancing accountability, improving efficiency and achieving results — tend to pull in different directions. The emphasis in setting up an arrangement should not be solely on greater efficiency or on meeting accountability requirements. Through agreement with its partners, the federal government needs to keep these factors in balance, and transparently so, while giving priority to achieving the results of the arrangement (see Exhibit 5.4).

**5.41 Are public service values being maintained?** Balancing the objectives of efficiency, effectiveness and accountability is not enough. In addition, the public interest needs to be kept in

#### **Exhibit 5.3**

#### **Framework for Assessing Collaborative Arrangements – A Summary**

##### **Serving the Public Interest**

- Are objectives being met?
- Is the collaborative arrangement the best way to do it?
- Is serving the public interest being given appropriate emphasis?
- Are public service values being maintained?

##### **Effective Accountability Arrangements**

- Are the objectives, the expected level of performance and results and the operating conditions agreed to and clear?
- Are the authorities, roles and responsibilities of each partner clear?
- Are the expectations for each partner balanced with its capacities?
- Can performance be measured and credibly reported to Parliament and the public?
- Has adequate provision been made for review, program evaluation and audit?

##### **Greater Transparency**

- Have the information needs of those affected been recognized?
- Is appropriate and sufficient information being disclosed to Parliament and the public?

view by assuring that services and benefits are delivered in a fair, impartial and equitable manner, in accordance with traditional public service values.

## Effective Accountability Arrangements

**5.42** In keeping with the principle of ministerial responsibility, a minister is accountable to Parliament for the involvement of a federal department or agency in a collaborative arrangement and, with partners, is accountable for the achievement of results.

**5.43** From our previous audits and studies of accountability arrangements, we have identified a set of key elements needed for strong accountability:

- clear and agreed expectations;
- clear roles and responsibilities;
- balanced expectations and capacities;
- credible reporting; and
- reasonable review, program evaluation and audit.

### Clear and agreed expectations

**5.44** Agreement in writing on the common objectives and public policy purposes, as well as on the key results sought in the arrangement, is critical to its success and a necessary first step in its

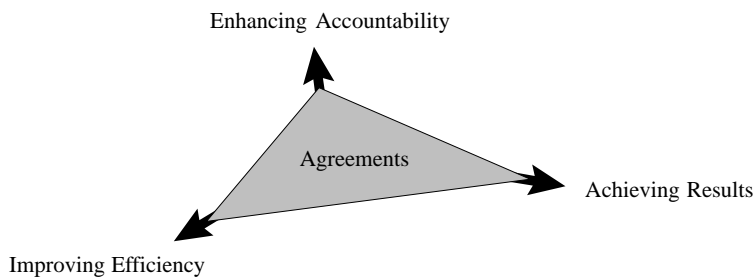
implementation. In addition, operational matters will need to be sorted out and agreed to. Although agreement on all these matters must ultimately be reached, not all of the specific details need to be finalized before beginning to implement the collaborative arrangement.

**5.45** A focus on the common outcomes being sought — particularly those seen as important to Canadians — rather than on specific outputs can be a powerful means of establishing and maintaining the collaboration. The efforts and steps taken to get the partners to agree on common objectives and results can be used to create understanding among the partners, sort out roles and responsibilities, encourage co-ordination, allow for flexibility in the specific contributions of different partners and build trust.

**5.46 Are the common objectives agreed to?** The agreement should clearly describe the common objectives and purpose of the arrangement. Any statement of values, objectives, purpose or vision will serve as the basis for subsequent agreement on more specific results and performance measures. Without agreement on reasonably clear common objectives, the arrangement is unlikely to succeed.

**5.47** The parties may have different reasons for pursuing the common objectives. For example, in the North American Waterfowl Management Plan,

**A focus on common outcomes being sought can be a powerful means for establishing and maintaining collaboration.**



**Exhibit 5.4**

**Serving the Public Interest –  
Balancing Efficiency,  
Accountability and Results**

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**The partners need to agree on the results to be accomplished.**

duck hunters and bird watchers find common purpose in restoring waterfowl populations, albeit for very different reasons.

**5.48** Similarly, a private sector company pursuing a profit motive may find that its goal is compatible with the public interest, as expressed in the objectives sought through a collaborative arrangement. For example, the Canadian Industry Program for Energy Conservation encourages energy efficiency improvements that meet both public and private sector objectives.

**5.49** Initially, the parties may be able to agree only on a general statement of their common objectives, which may allow discussion on an arrangement to move forward. However, as they implement the arrangement and get to know each other, they need to reach agreement on more specific details concerning each partner's role and the results to be accomplished. An example in which partners first reached agreement on general principles is the National Child Benefit, as discussed in Chapter 6 of this Report (paragraph 6.42).

**5.50 Are the expected results clear?** In addition to agreeing on the common objectives, it is important that the partners agree on the results to be accomplished. The partners need to be as specific as possible about these results in the initial agreement and, if necessary, ensure that they are fully specified in subsequent discussions or agreements.

**5.51** To implement a collaborative arrangement, the responsible parties need to know what to do and what results are expected. A strategic framework is often required, elaborating on or clarifying these expectations and guiding activities. For more complex multi-year arrangements, a planning function is needed.

**5.52** The partners also need to agree on the performance measures that will be used to assess what has been accomplished. This will reduce the chance of major disagreement in the future on whether the arrangement has been successful. Performance measures can range from quite specific quantitative indicators to more general qualitative statements of what would have to occur for the arrangement to be judged a success. For example, the North American Waterfowl Management Plan clearly stated and communicated the expected results to all partners, and the related performance measures were agreed upon and then used in periodic reviews of results (see Exhibit 5.5).

**5.53** In addition, the partners need to agree on what data are required, key definitions, and how the data will be collected to ensure their integrity.

**5.54 Are the operating principles and procedures to be followed clear and agreed to?** Each partner may be bound by legislative or administrative requirements related to certain aspects of the arrangement. For example, the federal government may want to make sure that specific decisions are made about the

**Exhibit 5.5**

**Agreement on Results – North American Waterfowl Management Plan**

The North American Waterfowl Management Plan (NAWMP) is designed to restore waterfowl populations through a North American partnership of federal, state and provincial/territorial government agencies, non-government organizations, the private sector and landowners. The Plan involves the Canadian Wildlife Service of Environment Canada, and was examined in Chapter 11 of our October 1997 Report (Moving toward Managing for Results).

The NAWMP clearly stated and communicated the expected results to all partners, in the form of quantified targets of wetland habitat to be protected and waterfowl populations to be achieved. Related performance measures were agreed upon; that is, the annual count of the various species of ducks, geese, etc., and the size of the area of wetlands made suitable as waterfowl habitat.

delivery of services in both official languages, access to information and adherence to appropriate public service values such as impartiality, fairness and equity. The partners need to decide in advance on the extent to which any such requirements are to be met.

**5.55 Have human resource management issues been addressed?**

Managing people well is crucial to success. Various issues may arise when employees of participating organizations work together in a collaborative arrangement. There may be a need to have their assignments allow for career development, for example. Assignments also need to be structured to avoid a conflict of duties. Where a proposed collaboration arrangement has human resource implications, these should be addressed early and openly with all potentially affected employees and their representatives.

**5.56** In federal-provincial arrangements, employees of one level of government may report to those of another. Clarity of these relationships will be required. As well, federal employees continue to be subject to federal legislation and policies and to maintaining their rights and benefits in areas such as collective bargaining, grievance and redress, employment equity and official languages.

**5.57** As part of the Treasury Board Secretariat's efforts to eliminate policy and legislative barriers, the federal government recently adopted a more flexible approach to human resource management in collaborative arrangements. This has been done through legislative changes that allow deputy ministers of departments to delegate the full range of human resource management authorities to non-federal managers.

**5.58 Has provision been made for adequate financial control?**

Collaborative arrangements generally use

federal public funds, public servants and other resources. The federal government is responsible for the stewardship of these resources. The other partners may also contribute significant resources, in some cases more than the federal government. Consequently, it is in the interest of all the partners to agree on sound procedures and practices for financial management and control, dealing with such things as different accounting methods and year-end carry-over provisions.

**5.59** In addition, agreements need to identify and minimize the risk of the federal government being held liable for amounts exceeding parliamentary appropriations. This can be done by explicitly documenting the mechanisms and conditions under which any losses would be shared or guaranteed, and by capping maximum federal exposure at levels of approved authorities.

**5.60** In striking an agreement that provides for adequate financial management systems and processes, the federal government needs to work with the other partners toward an appropriate standard of financial management, tailored to the nature and complexity of the arrangement.

**5.61** Phase I of the Canada Infrastructure Works program is an example of the arrangements that the federal government can make in agreement with its partners. In our audit of the program, we examined the basis on which federal officials had approved projects; we found that there was a need to improve financial control. In the program as a whole, insufficient provision had been made for compliance audits. However, federal program officials reached an agreement with the Quebec government department involved in the arrangement to set in place a system of compliance audits. In our judgment, this contributed to meeting the federal government's requirement for assurance of compliance with essential conditions of the program. Systems and process audits and reviews

**Managing people well is crucial to success.**

**It is in the interest of all the partners to agree on sound procedures and practices for financial management and control.**

**Clear roles and responsibilities are essential for accountability.**

were also undertaken in the four Western provinces.

**Clear roles and responsibilities**

**5.62 Are agreed roles and responsibilities clear?** Clear roles and responsibilities in written agreements need to be established from the outset and to reflect the interests and capabilities of each partner, as well as the common interests. They are essential to accountability. Accountability relationships in collaborative arrangements are sometimes referred to as “shared accountability”. This means that the partners are collectively accountable

for the success and operation of the arrangement, and hence share accountability (see Exhibit 5.6). In our view, shared accountability means only that more parties are accountable and in no way lessens the federal government’s accountability for its own responsibilities in the arrangement.

**5.63** The involvement of federal and other government partners may be based on legislation, which may limit their actions and activities. The legal, human resource and financial authorities need to be clearly identified, including the sharing or transfer of human, physical, financial or technological resources. Collaborative

**Exhibit 5.6**

**Shared Accountability**

Collaborative arrangements involve several partners who work together toward some shared common objectives. These partners are collectively accountable for its success and operation, and hence share accountability. Without care, however, this may result in a diffusion of accountability due to a lack of clarity about responsibilities and action taken.

In collaborative arrangements, there are three kinds of accountability relationships:

- accountability among the partners;
- accountability between each partner and its own governing body, such as, in the federal case, ministers and Parliament; and
- accountability to the public.

A collaborative arrangement involves an obligation of each partner to the other partners to fulfil and report back on its own part of the arrangement. Mechanisms are needed to ensure that this occurs and also that the collectivity can credibly report as a whole on its shared accomplishments.

The creation of the partnering arrangement does not reduce the accountability of the federal government to Parliament for the use of federal funds and authorities. Since the accountability relationships are more complex, the federal partner needs to ensure that the arrangement is structured so that there is an appropriate level of reporting back to ministers and Parliament.

Moreover, the federal government must take responsibility for managing toward the intended results through its actions and decisions in the arrangement.

In addition, the accountability elements of the arrangement must include provisions to ensure that the federal government can credibly demonstrate in a timely manner:

- the extent to which the objectives and expected results of the collaborative arrangement are being achieved;
- a reasonable assessment of the federal contribution to those results, namely to what extent it has made a difference; and
- what has been learned through the arrangement.

Hence, in a shared accountability arrangement the federal partner still has quite specific responsibilities and requirements, as do all the partners. To be able to account for the elements described above, the federal partner is responsible for organizing and managing the relationships with its partners so that it can obtain necessary information, monitor results and make (or require) adjustments as needed.



arrangements may also involve the delegation of authorities and the transfer of resources from the federal government to other (usually governmental) partners or to individuals or bodies representing the collectivity. In such cases, the nature of the transfer needs to be clearly specified and publicly disclosed.

**5.64** Labour Market Development Agreements illustrate the accountability relationships in collaborative arrangements involving the federal government with other levels of government (see Exhibit 5.7).

**5.65** Other collaborative arrangements use contribution agreements as a financing mechanism. While these agreements may include management and co-ordination provisions, their purpose is to ensure that payment of federal funds is conditional on performance and on compliance with the program. There is a need to also provide federal departments in collaborative arrangements with guidance on how to use contribution agreements to manage the sharing of power and authority in decision making. For example, in our 1996 audit of Phase I of the Canada Infrastructure Works program, which is a contributions program, we found that federal-provincial agreements contained management and co-ordination provisions but did not clearly identify roles and responsibilities for providing monitoring and performance information. Consequently, the federal government did not have adequate

information for accountability and program implementation.

**5.66** **Have adequate decision-making processes been established?** The extent to which decision rules need to be formally specified in the agreement will depend on the nature of the arrangement. For diverse organizations, a wide range of rules may be required, encompassing membership, participation, the make-up of decision-making bodies and the conduct of business. Where the parties are closely aligned, the decision process may rely on a more informal but still clear understanding. In the case of the federal government, the roles and responsibilities of ministers, or senior public officials acting for ministers, need to be clearly delineated.

**5.67** As noted in paragraph 5.33, effective co-ordination is needed in order to clarify roles and responsibilities when multiple departments are involved. The solution may lie in designating a lead department, the involvement of a central agency or establishing a specific management structure.

**5.68** Through the management structure, decision rules are implemented, the necessary steering and working committees are established, and the involvement of ministers, senior public servants and those appointed as officers of the arrangement is specified. The management structure of the arrangement should fit with the management structures of the participating organizations and

Labour Market Development Agreements, signed or under negotiation with all of the provinces and both territories, involve various forms of shared delivery of federal, provincial and territorial labour market services to the public.

Some jurisdictions have chosen co-management with the federal government; others have opted to receive full transfer of federal responsibilities. The Agreements include accountability provisions, with respect to objectives, expected results, performance measurement, monitoring and reporting. For example, the Canada-Alberta Labour Market Development Agreement establishes measures (indicators) and targets for expected results, and requirements for program evaluation and reporting on results.

**Exhibit 5.7**

**Accountability Relationships –  
Labour Market Development  
Agreements**

**Adequate provision for reporting of overall results is also essential for accountability.**

include the mechanisms needed to co-ordinate efforts and resolve problems.

**5.69** We observed a variety of management structures, including boards of directors and management committees supported by subcommittees and sometimes a secretariat. In some cases, the parties adopt a constitution or charter — for example, in the Canadian Model Forest Program (see Exhibit 5.8). In other cases, terms of reference specify the roles of committees and related decision-making structures. In our audits of climate change and Phase I of the Canada Infrastructure Works program, we found that the management structures did not adequately specify federal responsibilities.

**Balanced expectations and capacities**

**5.70 Have the partners the capability to do what they expect?** The partners form expectations about what each will do, and what they will do together, to advance the common agenda. A balance needs to be struck between these expectations and the capacity of each partner to deliver. The partners need to assess each other's competence and

experience. Expectations should be based on an accurate appreciation of capacities, including authorities, skills and resources. In some cases, the abilities and capacities of those delivering key elements of a program or service may need to be strengthened and the additional cost of this recognized.

**5.71** The National Child Benefit provides an example of the need for such a balance, as discussed in Chapter 6 of this Report (paragraph 6.59). If the smaller partners in the National Child Benefit lack the capacity to obtain accurate and relevant data on program outcomes, and to verify the data, then the federal government or larger provinces could work with the partners, if asked, to help them build capacity.

**Credible reporting**

**5.72** Adequate provision for reporting in agreements, leading to credible and timely reporting of plans, activities and overall results, is essential for accountability in a collaborative arrangement.

**5.73 Is provision made for adequate reporting?** In a collaborative arrangement, the partners report to each

**Exhibit 5.8**

**Decision Making, Financial Control and Review – Canadian Model Forest Program**

The Canadian Model Forest Program is a national network of large-scale working models of sustainable forest management. These models are designed to expand the range of forest uses and the benefits, in keeping with the principles of sustainable development. The Canadian Forest Service of Natural Resources Canada established the Program in 1992. We audited it in 1993 and did a follow-up in 1995.

In the Eastern Ontario Model Forest (EOMF), for example, an agreement, a constitution and by-laws define the roles and responsibilities of the federal government and the other partners. The constitution sets out a management structure, including the appointment and powers of a board of directors and officers.

Each model forest produces an annual report. Control over public funds is exercised through a requirement for audited annual financial statements, oversight of expenditures by the board, and provisions for progress reports and inspection of records in subagreements between the particular model forest and other partners.

Review and adjustment occurs through the board's exercise of its responsibility to monitor progress and report on corrective measures, and through a requirement for program evaluation. A strategic plan reported on the accomplishments of the first phase of the EOMF and was used to set out goals and strategies for the next phase.

other and to their respective governing bodies, both individually and collectively; they also report to those affected by the arrangement. In an agreement, a statement of the reporting required is essential for effective accountability to the governing bodies, as well as for management and co-ordination purposes. The agreement should normally refer to such reporting vehicles as business plans, corporate reports, or reports to Parliament and to provincial and territorial legislatures.

**5.74** We observed many forms of reporting in collaborative arrangements, including annual reports issued by organizations outside the federal government. In some cases, these reports provide performance information. Where collaborative arrangements have been established to move program and service delivery closer to those directly affected, reporting to the public and to the community fulfils an accountability obligation. We suggest that the reporting regime ought to serve accountability to the community affected, to the applicable minister(s) and, through the minister(s), to Parliament. It is also important that the federal government work with its partners to ensure that the information needed for good reporting is provided on a timely basis, so that decision makers can make effective use of it.

**5.75 Is information for Parliament sufficient?** We noted in a number of cases

that reporting by collaborative arrangements is not addressed or referenced in the established performance reporting systems of government, particularly those for reporting to Parliament. For example, private sector partners may make an annual report public and provide it to the minister who answers in Parliament for the federal department involved. This practice is followed for the annual report of the Canadian Industry Program for Energy Conservation (see Exhibit 5.9). To ensure that all such reports are brought to the attention of Parliament, we believe that they need to be clearly referenced in the responsible department's Estimates documents. These documents are the Reports on Plans and Priorities and departmental Performance Reports, and there are established procedures allowing parliamentary committees to examine them.

**5.76 Is the reporting credible?** In Chapter 5 of our April 1997 Report, we suggested a number of desirable features for performance reports on what has been accomplished:

- **Clear context and strategies.** The report should clearly describe the mission and mandate of the organization, the objectives of its programs and services, the major strategies and resources being used to achieve these objectives and the related external context.
- **Meaningful performance expectations.** The report should contain

The Canadian Industry Program for Energy Conservation (CIPEC), established in 1975, is a voluntary initiative of Canada's manufacturing and mining industries aimed at reducing energy use. Natural Resources Canada developed a partnership with CIPEC to encourage energy efficiency improvements through voluntary programs in industry. We reported on our audit of energy efficiency measures in that Department in our April 1997 Report.

CIPEC co-ordinates the development of energy efficiency goals (annual targets), action plans and services for each industrial sector through a network of task forces. A task force council works in close co-ordination with Natural Resources Canada, and is supported by a secretariat in the Department.

An annual report contains information on improvements in energy efficiency, based on a system developed to monitor and report on industry's progress toward its targets. This report is provided to the Minister of Natural Resources.

**Exhibit 5.9**

**Decision Making and Reporting – Canadian Industry Program for Energy Conservation**

clear and concrete key performance expectations with a focus on outcome-results.

- **Results reported against expectations.** Key results should be reported in relation to expectations and be attributable to the activities undertaken.

- **Demonstrated capacity to learn and adapt.** The report should provide a measure of the ability of the program to learn from past performance and to adapt to external changes.

- **Fair and reliable performance information.** Performance information should be fair, valid, reliable and understandable.

**5.77** In collaborative arrangements, credible performance reporting will often depend on information that the partners provide to each other. Partners will need to both seek assurance that the information provided by others is based on good data and provide such assurances themselves.

**5.78** External audit assurance can enhance the credibility of reports on results by examining the consistency, reliability and fairness of the partners' performance information.

#### **Reasonable review, program evaluation and audit**

**5.79** **Has provision been made for reasonable internal audit and program evaluation?** The partners need to agree on a mechanism to monitor the progress of collective activities and evaluate performance and results. The federal government's use of internal audit and program evaluation may constitute such a mechanism. Requirements for audit and evaluation, including their reporting, can be set out in contribution agreements and memoranda of understanding between partners in the collaborative arrangement.

**5.80** As we noted in our May 1996 Report Chapter 3 on program evaluation, evaluation studies have the potential to:

- provide information to support decisions about resource allocation;
- help Canadians determine the value obtained with their tax dollars; and
- help public servants and their collaborative partners manage for results and take responsibility for them.

**5.81** For example, as discussed in Chapter 6 of this Report (paragraph 6.105), the partners in the Employability Assistance for People with Disabilities have agreed to co-ordinate the planning process and to evaluate program results.

**5.82** **Is sufficient monitoring under way?** Monitoring is increasingly recognized as an integral part of sound management. Program managers gather and analyze information that will allow them to gauge progress toward objectives and adjust program planning and implementation. In a collaborative arrangement, a realistic and effective monitoring strategy is required that takes into account:

- the nature of the arrangement, such as the historical relationship between the partners, the level of innovation involved and the complexity of the arrangement;
- the level of political or financial risk associated with the program and the arrangement;
- the specific accountability requirements for each partner;
- the capacity of the partners to monitor performance;
- the type and level of delegation to each partner (for example, if program delivery has been delegated to a partner, monitoring also can be delegated. The federal government could work with its partners to ensure that the monitoring takes place and results are reviewed); and

**The partners need to agree on a mechanism to monitor progress and evaluate performance and results.**

- the monitoring already undertaken by the partners (as much as possible, monitoring systems and information should be shared to avoid duplication and promote efficiencies).

**5.83 Is sufficient learning taking place?** The accountability relationship is meant to be a positive one that the participating organizations can use to improve performance — their own as well as that of the arrangement as a whole. For instance, if the agreement specifies mechanisms to review performance and calls for institutional learning, the partners have to make this work in practice. If expectations are clearly not being met, corrective actions need to be taken. The co-ordination process needs to accommodate such adjustments.

**5.84 Are procedures in place to follow if things go wrong?** It is important that agreements include specific procedures, such as dispute resolution mechanisms, that each party can follow should things go wrong. These procedures may include reference to independent bodies to assess cases of disagreement, and ultimately should provide ways to terminate the arrangement if necessary. Provisions for termination also need to ensure that public funds and assets, including the sale of any public assets, are safeguarded.

**5.85 Has provision been made for audit?** The parties need to agree on appropriate provisions for external audit of the arrangement. A requirement for financial audit is often recognized in collaborative arrangements, but given that there are public purposes involved, value-for-money audits and independent assessment of performance information may be needed. The question of who should do the audits also needs to be determined. In the case of federal-provincial arrangements, this Office recognizes the value of working jointly with provincial audit offices in audits of program delivery.

## Greater Transparency

**5.86** It is important that government ensure appropriate transparency in the delivery of services to the public. Delivering services by collaborative arrangements often requires greater transparency than traditional delivery by government departments. There are several reasons for this:

- The involvement of several different partners may make it difficult for citizens to know who is responsible for doing what, unless extra care is taken to communicate such information.
- Where citizens now have to deal with service providers outside government, access to redress mechanisms may not be evident. Citizens may not have the same recourse to the minister and members of Parliament in these cases.
- The provisions of the *Access to Information Act* that apply to the federal government may not extend to partnering organizations, limiting the information made available unless the arrangement specifically addresses the issue. The partners may need to reconcile access to information and privacy laws of different jurisdictions.

**5.87 Are the information needs of the affected public recognized?**

Collaborative arrangements delivering public programs often provide information about their activities to the communities directly affected as well as to the general public. This form of transparency complements the responsibility of the federal government and the other partners to make adequate information available to Parliament and the public. For example, the Labour Market Development Agreements and reports are available for public scrutiny.

**5.88 Is sufficient information being disclosed to Parliament and the public?**

Information about a collaborative arrangement ought to be made available to Parliament, the public, and the respective

**The use of collaborative arrangements to deliver services to the public often requires greater transparency than traditional means.**

**Information about collaborative arrangements ought to be made available to Parliament and the public.**

legislative and governance bodies, with the exception of sensitive and personal information.

**5.89** In addition to the agreements themselves and the reports they produce, the information made public should include:

- major decisions and activities that affect specific groups;
- related documents such as non-commercially confidential board or management committee papers; and
- statements of policies and practices, encompassing conflict of interest rules, limits on confidentiality and complaint and redress mechanisms.

**5.90** It is important that a collaborative arrangement not be used to reduce transparency. The principles supporting the intent of the *Access to Information Act* need to be recognized in setting up a collaborative arrangement. The responsible parties are pursuing a public purpose and therefore have a responsibility to be as open as possible about their decisions and actions. They should give reasons for their decisions and restrict information only when necessary.

**5.91** Part of the commitment to greater transparency is consultation with the public. It is important to ensure that the goals sought and the results obtained in a collaborative arrangement are the right ones for Canadians. To this end, the partners need to seek out the views of target groups, stakeholders and the general public.

**5.92** Successful collaborative arrangements also depend on transparent relations among partners. A wide range of information on such aspects as goals, reporting relationships, resources and the results being achieved needs to be made available among the partners, to build and maintain trust and to enable the necessary co-ordination to take place.

## Conclusion

**5.93** As more taxpayer dollars are being spent through collaborative arrangements, the associated risks require greater attention. These include the risk of poorly defined arrangements, commitments not met, insufficient attention to protecting the public interest, insufficient transparency and inadequate accountability.

**5.94** In recognition of the need to manage these risks, this study examined a number of issues related to effective participation in collaborative arrangements. In serving the public interest, the federal government must ensure that its public purpose is not lost in the desire for greater efficiency. Effective accountability means that the government remains accountable to Parliament for the use of public funds and authorities but also shares with its partners accountability to the public for results. Transparency calls for the federal government to be as open as possible about the arrangements it enters into with partners.

**5.95** The study identified a number of desirable attributes of agreements in a collaborative arrangement. The partners need to be very clear about the results expected for the common objectives, about roles and responsibilities, and about provisions for reporting, evaluation and audit. Operating procedures also need to be set out, including those for human resource management and financial control.

**5.96** It is important that these attributes of agreements be complemented by good implementation practices. In addition to setting out provisions in an agreement for reporting, the federal government and its partners need to ensure that performance reports credibly describe the results accomplished and attribute them to the resources used and the actions taken.

**5.97** This chapter points to the need for federal departments to effectively manage their involvement in collaborative arrangements. The Treasury Board Secretariat and departments have an important role in providing advice and guidance on these management issues. In addition, there is a need for all of those involved in collaborative arrangements to learn from the experience. For our part, we plan to report on an audit of federal government involvement in collaborative

arrangements and new arm's length relationships.

**5.98** The desirable attributes of agreements and the good implementation practices our study identified led to a series of questions that we suggest as a framework parliamentarians may wish to use to assess collaborative arrangements. As further experience is gained with collaborative arrangements, we expect to be able to refine this framework.



## About the Study

### Objectives

The objectives of the study were to examine the major issues related to effective participation in collaborative arrangements, identify desirable attributes of agreements and good implementation practices, and provide a framework for parliamentarians to assess the arrangements. As experience is gained with collaborative arrangements, we expect to refine and improve this framework.

### Scope

To carry out this study, we drew upon related audits and studies carried out by this Office, reviewed the relevant academic literature and conducted selected casework relating to federal involvement with other levels of government, the private sector and other organizations. We also made use of the following documents:

- Modernizing Accountability Practices in the Public Sector, 1998 – a joint paper by Treasury Board Secretariat and Office of the Auditor General of Canada.  
([http://www.tbs-sct.gc.ca/rma/account/OAGTBS\\_E.html](http://www.tbs-sct.gc.ca/rma/account/OAGTBS_E.html))
- Assessing Alternative Service Delivery Arrangements, June 1998 – an Office of the Auditor General of Canada discussion paper provided to the Standing Committee on Public Accounts.  
([http://www.oag-bvg.gc.ca/domino/other.nsf/html/dispr\\_e.html](http://www.oag-bvg.gc.ca/domino/other.nsf/html/dispr_e.html))

In this study, we did not compare practices against a predetermined set of criteria. Rather, we identified a series of questions that parliamentarians may wish to use as a framework for assessing collaborative arrangements.

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## Appendix Collaborative Arrangements Referred to in the Study

Arrangement	Key Federal Departments Involved	Partners	Information on the Federal Contribution
Canada Infrastructure Works program, Phase I	<ul style="list-style-type: none"> <li>Treasury Board Secretariat</li> <li>Industry Canada</li> <li>Atlantic Canada Opportunities Agency</li> <li>Western Economic Diversification Canada</li> <li>Economic Development Agency for the Regions of Quebec</li> <li>Indian and Northern Affairs Canada</li> </ul>	Federal, provincial and local governments, private sector.	1994–95 to 1998–99: \$2 billion
Canadian Industry Program for Energy Conservation	Natural Resources Canada	Federal and provincial governments, and private sector.	1992–93 to 1997–98: \$3.3 million
Canadian Model Forest Program	Natural Resources Canada	Federal, provincial and local government, educational institutions, industry, Aboriginal groups, community and public interest groups, recreationalists, and many others.	1991–1996: \$54 million 1996–97: \$13.5 million
Climate Change	<ul style="list-style-type: none"> <li>Environment Canada</li> <li>Natural Resources Canada</li> </ul>	Federal government (through international agreements) provincial and territorial governments.	1996–97: \$72 million 1997 Budget: additional \$20 million per year for three years – energy efficiency and renewables incentives. 1998 Budget: additional \$50 million per year for three years – program elements related to a National Implementation Strategy.
Labour Market Development Agreements	Human Resources Development Canada	Federal, provincial and territorial governments.	<b>Examples:</b> <b>Canada-Alberta</b> 1997–98: \$97.5 million 1998–99: \$107.5 million 1999–2000: \$112.1 million <b>Canada-Manitoba</b> 1997–98: \$46.3 million 1998–99: \$48.7 million 1999–2000: \$49.5 million
North American Waterfowl Management Plan	Environment Canada	Canadian, United States, Mexican federal and provincial or state governments, non-governmental organizations, private sector and landowners.	1986–96: \$59 million 1996: \$5.1 million