Canadian Centre for Management Development
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USING HORIZONTAL TOOLS TO WORK ACROSS BOUNDARIES:

Lessons Learned and Signposts for Success

CCMD Roundtable on Horizontal Mechanisms

CHAIRED BY JAMES LAHEY

BY ANDREA D. ROUNCE AND NORMAN BEAUDRY

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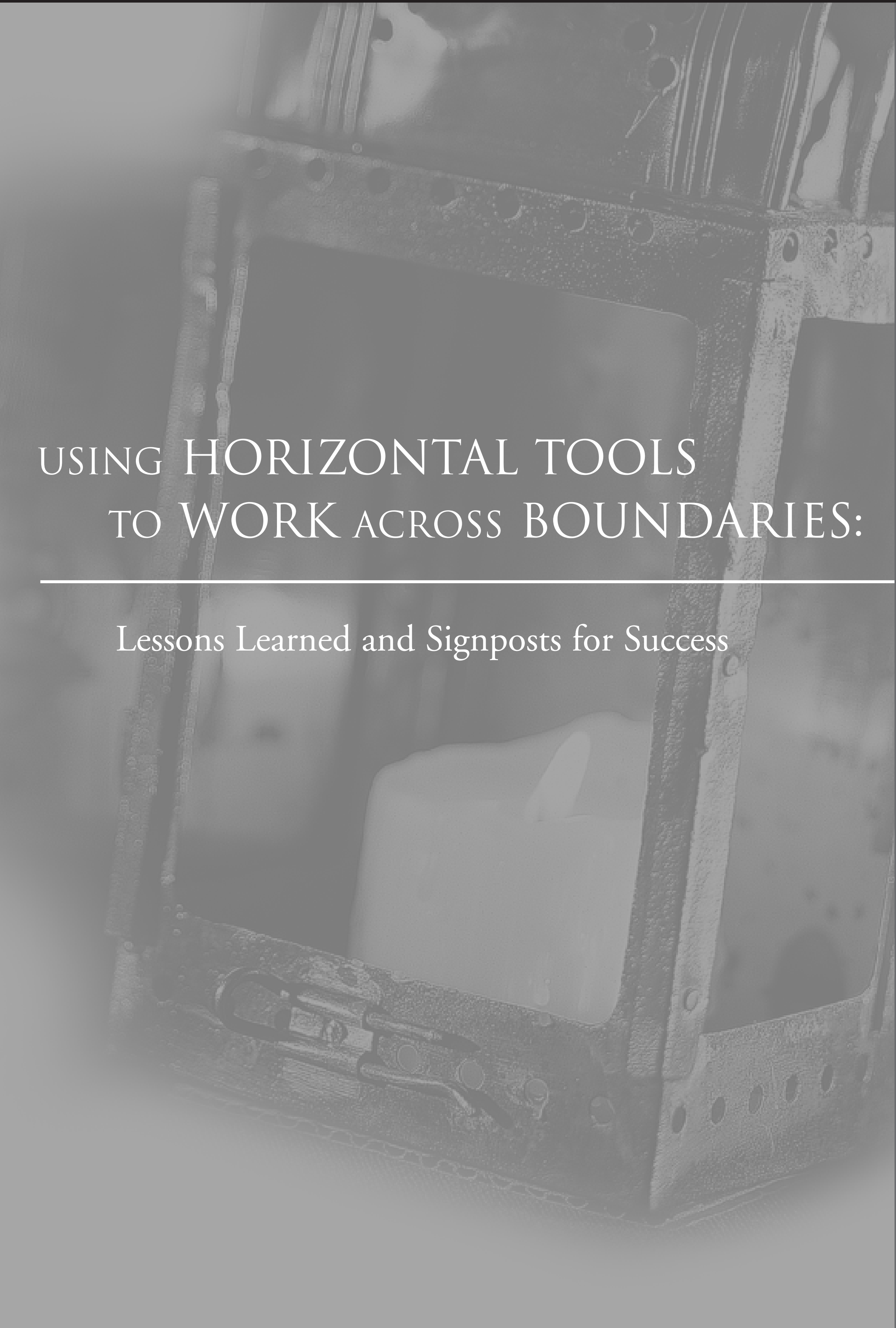

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A WORD FROM CCMD

A Public Service that continually learns is better equipped to seize the fleeting opportunities found in our rapidly evolving economy and society. Research is a crucial vehicle for learning, but not just any kind of research will do. Research needs to be timely and relevant; it must offer practical advice. This is precisely the focus of CCMD's Action-Research Roundtable process.

This is the second wave of research we have conducted in this highly successful format. Our consultations with managers identified five topics that require immediate attention:

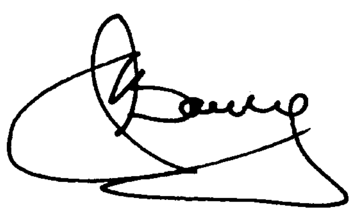
- Workplace Well-Being
- Internal Service Delivery
- Public Service Innovation
- Horizontal Mechanisms
- Science & Public Policy

These topics are of strategic importance for Canada's Public Service as a whole, yet speak to the daily experience of our fellow managers and their staff.

This research report was produced by the Action-Research Roundtable on Horizontal Mechanisms. It builds upon last year's Roundtable on the Management of Horizontal Initiatives, and its report *Moving From the Heroic to the Everyday: Lessons Learned from Leading Horizontal Projects.*

CCMD was particularly lucky to have Jim Lahey chair both of these Roundtables. His continuing leadership is greatly appreciated and has proven invaluable in creating yet another management resource that will benefit employees across Canada's Public Service. Also central to the success of this work were the many Roundtable members, interviewees and specialists who contributed their time and knowledge, without whom this document would not have been possible.

Jocelyne Bourgon



President

Canadian Centre for
Management Development

Action-Research

CCMD's action-research process brings together practitioners and experts from both inside and outside government to develop practical advice for dealing with pressing management challenges. The research process revolves around the deliberations of a diverse Roundtable – an ideal forum for rapidly pooling and scrutinizing knowledge, insights and experiences. The research is conducted over a one-year period.

The management challenges are selected by managers and senior executives according to their urgency and importance to the Public Service as a whole. The objective is to provide leading-edge, focused and practical products that public managers genuinely value and actively use in their work.

The Roundtable is supported by a secretariat composed of scholars and Public Service researchers.

A WORD FROM THE CHAIR

The pooling of people and resources from various departments to achieve common goals can only continue to become more common.

This report captures the results of a second Roundtable on managing horizontally sponsored by CCMD. Last year's report, *Moving from the Heroic to the Everyday: Lessons Learned from Leading Horizontal Projects,* explored practical experiences, particularly in the areas of leadership and culture. This second report focuses on tools and mechanics.

Taken together, these documents should help to make launching and sustaining cross-organizational cooperation both easier and more successful.

Special thanks are due to all the managers who shared so generously with us what they have learned. Andrea D. Rounce, Norman Beaudry, and several colleagues at the Treasury Board of Canada Secretariat, including Colin Freebury and Bruce Hirst, deserve the credit for pulling this report together. Geoff Dinsdale of CCMD continues to excel at inspiring everyone he meets, and at cajoling us to meet the deadlines.

James Lahey

Chair of CCMD's Roundtable
on Horizontal Mechanisms

ACKNOWLEDGEMENTS

The following individuals attended CCMD's Roundtable meeting on Horizontal Mechanisms on February 5, 2002:

Chair: James Lahey, Treasury Board of Canada Secretariat

Attendees:

Robert Dick	Privy Council Office
Colin Freebury	Treasury Board of Canada Secretariat
Bruce Hirst	Treasury Board of Canada Secretariat
Robert Hoegg	Atlantic Canada Opportunities Agency
Alison Taylor	Privy Council Office
Danielle Vincent	Human Resources Development Canada

Secretariat:
Geoff Dinsdale (Canadian Centre for Management Development)
Norman Beaudry (Consultant)
Anna-Maria Raposo (Canadian Centre for Management Development)
Andrea D. Rounce (Ph.D. Student, Carleton University)
Debbie Beresford-Green (Treasury Board of Canada Secretariat)

The Roundtable members would like to thank the many individuals who contributed to the development of this document, including resource persons, focus test participants, and the people involved in the publication process. Their contributions helped ensure that this product will be useful to managers across Canada's Public Service.

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CONTINUING THE JOURNEY AND BUILDING OUR KNOWLEDGE

Remembering Past Lessons

Last year CCMD sponsored a Roundtable on the Management of Horizontal Initiatives. This work built upon the foundation laid by the 1996 Deputy Minister's Task Force report, *Managing Horizontal Policy Issues*, but moved beyond horizontal policy issues to focus on a wider range of horizontal issues. The Roundtable's work was rooted in the experiences of and lessons learned from managers. Its purpose was to take stock of what had been learned about horizontal management, capture the "state of the art" and make it available to public servants across the country.

This work found that horizontal initiatives can be viewed in terms of what is being shared: from the simple sharing of information through to the sharing of resources, work and, ultimately, authority.[1] Horizontal initiatives can therefore involve relatively few or many administrative and accountability requirements. As a result of exploring these various dimensions, the Roundtable concluded that *there are no hard and fast rules* to horizontal management — it is more an art than a science.

The findings from this work can be found in the Roundtable's report, *Moving From the Heroic to the Everyday: Lessons Learned from Leading Horizontal Projects.*[2] The report is organized around four key dimensions of horizontal management:

1. *Mobilizing Teams and Networks* — The ability to mobilize teams and networks is crucial to getting an initiative off the ground, especially in the face of entrenched interests. The enabling elements include:
   - Leadership;
   - Teamwork;
   - Shared mental models and vocabularies; and
   - Trust.

2. *Developing Shared Frameworks* — Developing a shared framework helps to ensure that everyone is working towards the same goals. It involves:
   - A shared understanding and fact base of the key issues;
   - Clarity about shared goals and results, as well as roles and responsibilities;
   - Managing the tension between individual and collective accountability; and
   - Planning and reporting.

3. *Building Supportive Structures* — A variety

1. For more on these three categories of what is being shared, see the Consulting and Audit Canada report *Impediments to Partnering and the Role of Treasury Board* (May 13, 1998), p. 8.

2. Mary Hopkins, Chantal Couture, and Elizabeth Moore. *Moving from the Heroic to the Everyday: Lessons Learned from Leading Horizontal Projects,* Canadian Centre for Management Development (2001). Document available at http://www.ccmd-ccg.gc.ca

of supportive structures can be used to help managers build lasting relationships and achievements. Informal structures are less resource intensive, more flexible, and less binding on members (e.g., communities of practice). Formal structures are resource intensive but less ambiguous; they require some logistical skill and expertise to implement and generally include written agreements committing participants to specific courses of action (e.g., memoranda of understanding). Key elements here include:

- Reflecting carefully on the range of appropriate structures available;
- Being strategic about timing;
- Being aware that the formality of structures can affect the flow, quality and consistency of information; and
- Recognizing that when an initiative has a concrete end-point, structures should be designed to facilitate longer-term relationship building.

4. *Maintaining Momentum* — Initiatives have ups and downs, meaning that managers must work actively to maintain momentum. Leadership is important to motivate key players, channel information to keep everyone engaged, and make working horizontally routine. Here, the following elements proved to be important:

- Using a champion;
- Building on small successes;
- Learning continuously;
- Introducing money at strategic times;
- Using deadlines; and
- Recognizing that an initiative can pass through several transitions during its life cycle.

The Purpose of this Document

Members of the first Roundtable on managing horizontally clearly stated that the work of understanding how to manage effectively and efficiently in a horizontal initiative was not yet complete. Horizontal management continues to become more prevalent in the public sector, and the types and numbers of partnerships have expanded with it. As the previous Roundtable noted,

> The diversity of players found in horizontal networks has mushroomed during the past five to ten years; interdepartmental collaboration is only part of the picture. Provincial and municipal governments, and a range of stakeholders with different interests and backgrounds, including NGOs, professional associations, volunteers, advocates, service organizations, and the private sector, may all be involved.
>
> *Moving from the Heroic to the Everyday: Lessons Learned from Leading Horizontal Projects*, 2001

While issues associated with working horizontally have not been completely addressed, managers continue to work in partnerships.[3] As a result, past Roundtable participants noted the need for further work that would address the mechanisms and structures associated with working horizontally. As a result, this document seeks to answer a number of practical outstanding questions, such as:

- What can be done to make it easier for managers to pool resources horizontally?
- How can non-financial resources be assigned to particular horizontal projects?
- How can staffing across departments be made easier?
- How can managers ensure that lines of accountability are clear in a horizontal project?

3. As used in this document, the terms partner(s), partnering and partnership(s) do not refer to the legal sense of these terms, but refer more generally to the non-legal term collaborative arrangements.

In order to better understand these issues on a conceptual level, we analyzed the research findings available. In order to understand how managers have addressed these issues in reality, we interviewed over twenty people who either have been, or currently are, working on horizontal initiatives. The initiatives assessed for this project include:

- The Atlantic Coastal Zone Information Steering Committee (ACZISC);
- Strength in Diversity Program (SIDP);
- Business Council of Manitoba Aboriginal Education Awards Program; and
- Canadian Maritime Network (CANMARNET).

By interviewing managers who had both developed and worked on these initiatives, we were able to gain an understanding of where their concerns lie, and how they dealt with these concerns when working horizontally. In addition, we spoke with over ten people from the Treasury Board Secretariat who were able to help clarify some of the issues that managers deal with on a day-to-day basis. Experts in everything from human resources management to the management of financial transfers provided information that helped us suggest some ways of dealing with horizontal management challenges. This report has also benefited from the work being undertaken as part of the jointly-led Privy Council Office - Treasury Board Secretariat Task Force on the Coordination of Federal Activities in the Regions.

What has become clear is that to successfully manage horizontal mechanisms, people must address both culture and mechanisms. Last year's document, *Moving from the Heroic to the Everyday: Lessons Learned from Leading Horizontal Projects*, focused primarily on cultural and leadership issues. This document focuses primarily on horizontal tools. The result is that these documents represent two sides of the same coin and should be read as companion pieces. We recommend that you start by reading *Moving from the Heroic to the Everyday*, and with that foundational knowledge then read this document.

CHALLENGES FACED AND LESSONS LEARNED

Considering the Challenges

Working on horizontal initiatives (programs or projects) poses a particular series of challenges for managers. Partners in horizontal initiatives must deal with many issues. As there is no formal rulebook on how to run horizontal initiatives, managers must learn how to address these questions on their feet.

> Often it seems that managers are missing a framework or context for horizontal management. There is no interministerial organization that will do it, [seemingly] no defined mechanism for pooling resources, no tools — just expectations.
>
> Interview participant

Understanding the difficulties faced by managers of successful horizontal initiatives is vital to appreciating how they have dealt with them, and the lessons they have learned.

Resource Challenges

Without a doubt, working on horizontal initiatives in cooperation with other departments, other levels of government, community groups, or members of the private sector is a demanding experience. Managers working horizontally deal with issues that they do not normally encounter in the course of single-department projects.

Tasks that are normally straightforward, such as providing financing, non-financial resources and staffing for a new initiative while ensuring lines of accountability are clear, become more complex when dealing with multi-department initiatives.

Pooling Financial Resources

Ensuring that a horizontal initiative has the financial basis that it requires is vital to the success of the initiative. Cooperation among departments seems easy to achieve as long as participating departments do not need to contribute financially. Often, however, limited budgets are already assigned and it is difficult to squeeze funds out of established operational priorities to support new cooperative initiatives, even when the benefits are tangible.

> Working horizontally is in everybody's interest, but in nobody's mandate.
>
> Roundtable participant

There is often uncertainty about particular funding details. Departments frequently have different ways of dealing with the financing of cooperative projects. Committed funds are not always transferred on time, and almost never at the beginning of the fiscal year. Those responsible for the initiative's funds are often not sure when the committed monies are actually going to arrive.

It is not uncommon for the host department to be making commitments on funds not yet received from partner departments. From an overall perspective, it can be dangerous to have only $100,000 in your account and be committed to spending $250,000.

Interview participant

In many cases, horizontal initiatives rely on verbal agreements between partnering departments. While these types of agreements can allow for flexibility, they can become problematic — when staff changes, the verbal arrangements may have to be rebuilt and recommunicated.

Pooling Non-Financial Resources

Finding the necessary space and equipment for a horizontal project can pose particular difficulties. Managers identified problems around where space and equipment would come from, and where it would be located.

It is important to structure horizontal projects to take account of departmental realities with regard to existing equipment and space.

There often is not a 'golden solution' independent of the existing system. Instead of looking at how things work (what computer systems people have, for example) and finding a solution to suit existing conditions, there is often interest in introducing a whole new project.

Interview participant

Existing technology and equipment in a particular department often determines the level at which a new partnership operates. This can certainly cause tension, unless all agree that it is necessary and appropriate to work within the limits of their own context. If one department works with a particular type of technology that the other partners do not have, it will be necessary to find a way to accommodate the multiple technologies. For example, in the case of the Canadian Maritime Network (CANMARNET), partners had to decide at what level of classification the information system would run. It was ultimately concluded that it would function at the level that would best fit the needs of the most partners.

Staffing Challenges

Managers identified a variety of issues associated with staffing horizontal projects at the beginning of the project, throughout its lifetime and during the wind-down stages. Staff are either re-allocated within departments to work on horizontal projects, or hired specifically for a particular project. Each option poses its own difficulties.

When hiring new staff, it is first necessary to determine which department will house these staff. The process is often simplified if there is a lead department willing to take on responsibility for staffing the project. Another way to deal with this issue is for cooperating departments to locate staff in a common entity, such as a Secretariat.

The hiring process itself can prove problematic. Depending on which types of groups are involved in the horizontal project, certain elements of hiring must be agreed upon by the partners. As one interviewee stated:

Where do we post the notice of appointment? Within the department where the position is located? Within all government? Wider yet, to include community stakeholders?

Interview participant

Once new staff are selected, their classification may sometimes be complicated. Departments do not always use the same classifications, which can hinder the transfer of individuals between partnering departments. A further issue around transferring staff between departments to work on horizontal projects is that often partners are unclear about the relevant personnel costs to be included. In the case of the Strength in Diversity Program, an initiative that involved the transfer of staff between departments, it was noted that there was often confusion around the transfer and receipt of funds for personnel.

Timelines of horizontal projects can make staffing difficult. Many horizontal initiatives have a "sunset date," or a fixed time by which objectives should be achieved. When projects have a definite sunset date, seconded staff have to be reassured that they will have jobs after the project is finished. Otherwise, they may be more likely to depart early on in search of other positions, or perhaps refuse to come at all.

Even when staff are allocated within a department to work on a horizontal project, there can still be tough issues. Interview participants noted that there are often negative 'rewards' associated with working on horizontal projects. Horizontal projects are often seen as 'add-ons' to existing workloads of individual staff members.

In some departments, there are many horizontal projects. It is not always obvious what the lead department's responsibilities are with respect to staffing commitments. Individuals are not always sure about what being part of a horizontal project will mean for their workload.

Interview participant

Accountability Challenges

Partnering can involve other federal government departments, provincial governments, agencies, community groups, and private sector members. It is important to identify who will speak for the initiative, and who will be responsible for reporting. Lines of accountability must remain vertical and they must be respected, even when departments are involved in horizontal projects.

Managers working on horizontal projects must find ways of ensuring that vertical lines of accountability are respected, while also ensuring that the goals of the project are achieved. How does a member of a horizontal project balance vertical lines of accountability with responsibilities to the other partnering organizations?

Ensuring accountability in a horizontal project is a lot of work — sometimes you need to put more resources toward ensuring that lines of accountability are clear.

Interview participant

Balancing the individual priorities of my regular job with the requirements of working horizontally can be difficult.

Interview participant

Managers also noted that communication among partners can be difficult. Because of the diversity of membership in horizontal partnerships, communication is key to ensuring accountability. Unfortunately, departments do not always send the same individuals to horizontal project meetings. This causes concern about consistency of approach and the continuity of communication between the partners. Lines of communication can become confused.

With respect to reporting, partners do not always have consistent practices. For example, in the case of financial reporting, one partner may use reporting objects, while the other reports by project. It becomes necessary to translate the figures into suitable data for all partners to use.

Highlighting the Lessons Learned

One of the major issues highlighted by the Roundtable participants is the importance of planning. Many of the challenges identified by managers working on horizontal projects could have been dealt with at an early stage in the process, through discussion among project partners.

Time and time again, participants noted that they would change what they did and how the projects were structured if they could start all over again. Ensuring that procedures are put in place at the outset, and that all participants are involved in this process, is vital to the success of a horizontal initiative. If timelines for projects were finite because of a sunset date, planning was that much more important.

If you know what you are striving for, then it is vital to sit down with your partners, through a series of meetings, and hash out a plan.

Interview participant

Resource Lessons

The element most interview participants would change in their horizontal projects was the uncertainty around funding arrangements between the partners. While pooling of financial resources is challenging, managers noted that it can be done in such a way as to provide clarity both for the partners and for the individuals working on the particular projects.

The main lesson managers learned from working on horizontal projects is the importance of putting firm multi-year financial commitments in place at the beginning of the project. Memorandums of Understanding (MOUs) or Letters of Understanding (LOUs) that last for the duration of the project, or at least three years for lengthy projects, should be established early on in the negotiation process. This can help to eliminate a great deal of the uncertainty partners can feel. When initiatives achieve a reasonable degree of predictability, staff can concentrate on doing the work of the initiative, rather than on fundraising.

When negotiating an MOU, it is necessary to determine whether there will be a lead department for the project, and which department that will be. Regional councils can act as great facilitators of projects, but as they are not constituted as legal entities, technically they cannot manage money. In practice, it is normally essential to have a lead department when financial resources are pooled to deliver a horizontal project.

The partners must reach a consensus on how much money is required to fulfil the identified goals of the project, and then address how much each partner will contribute.

> It is not necessary that there be a formula for determining how much each partner will contribute. Instead, there should be the recognition that the role (and resources) of some departments are broader than others, so those departments should provide more money to the project.
>
> Interview participant

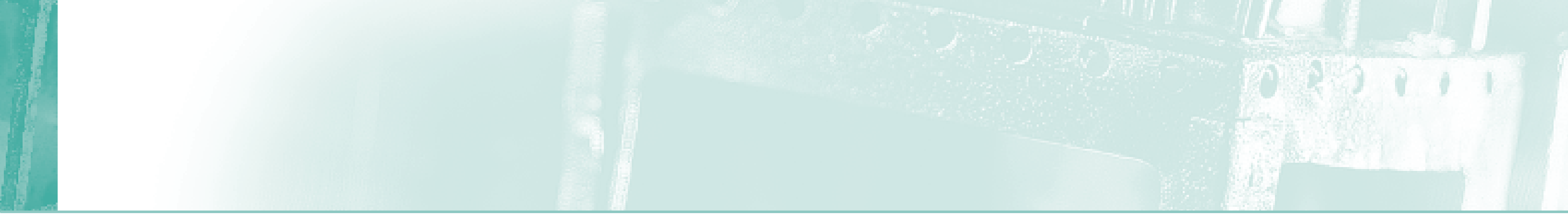
However, managers also noted that it is vital to ensure that smaller departments, and those less able to contribute to horizontal projects, can participate fully in setting the direction and goals of the project. In some cases, it has been noted that the larger departments, which often act as lead departments on horizontal projects, may not confer as fully as they should with their partners about the goals and directions for projects.

An MOU should include information on where funds will come from within each member department, and when they will be made available to the lead department. How the money is to be transferred to the lead department should also be confirmed in the MOU. As one interview participant noted:

> If the initiative is providing a service to the partner departments, the initiative can simply invoice the member departments.
>
> Interview participant

A key recommendation from managers working on horizontal projects is to locate the project within a large lead department which has a large resource base. This can make it easier to ensure that expenses can be covered in the short term until the allocations from the partner departments are received.

A final piece of advice for managers negotiating MOUs at the beginning of a horizontal initiative: the sooner you involve senior management, the better your chances of obtaining timely departmental agreements.



Pooling Non-Financial Resources

Sharing non-financial resources, such as space and equipment, was not as problematic as most interview participants had expected it to be. Most managers experienced few issues around locating equipment (many departments had sufficient equipment to contribute to the project) or around locating space for the project. However, managers also noted that, in most areas, space is at a premium, and negotiation is required to ensure that new projects get access to the space they need.

Some initiatives may not require the purchase of new equipment, but only the re-allocation or re-use of existing equipment. In many cases, interview participants indicated that they were able to re-allocate equipment they had in their offices, without having to purchase new equipment.

Interview participants also noted that an initiative should take stock of the kinds of equipment and technology its members currently use, in order to ensure that the initiative can include all members. In a project designed to facilitate communication across departments, for example, partners save both time and financial resources by making use of existing systems.

The provision of non-financial resources should also be included in the MOU or LOU. It is important to identify where the resources will come from, and where they will go to, if and when the project is disbanded.

Staffing Lessons

Deciding where to locate staff — within a lead department, in their own department, or outside the government altogether (as in the case of a Secretariat, such as the Atlantic Coastal Zone Information Steering Committee's Secretariat) — must be addressed in the early stages of horizontal initiatives. This discussion can eliminate some of the issues managers have identified around staffing.

If staff are located within the lead department, it is also important to identify direct supervision within the lead department. Classifying staff within a lead department can sometimes create complications when the lending department uses different classifications from the borrowing department. While classification rules may not be as restrictive as sometimes perceived, the process can be time-consuming and frustrating.

Interview participants recognized that managers need some kind of reward system in place for those involved in horizontal projects. When staff have their annual review, involvement in horizontal activities is often not included in the criteria for evaluation.

In order to work on horizontal projects, you need to have a thick skin and a strong heart.

Interview participant

Praise must be heaped on those who participate. It is vital to praise the members of a horizontal initiative — it, and its staff, have to be seen to be good.

Interview participant

Managers noted the importance of identifying where the funds for the project staff will be coming from, if it is not coming from their home department. It is also vital that these funds include the cost of employee benefits. Having these issues discussed and clarified during initial partnership discussions is an important part of ensuring staffing goes smoothly in a horizontal project.

It only became clear later on in the project that some departments expected only wages from the lead department [for seconded staff] while others expected wages plus the 20% for benefits.

Interview participant

Having these discussions at the outset can help eliminate the insecurity that can surround the project staff's tenure. They need to be sure that their jobs (in some form) are secure. If they are not secure, and employees are to be employed only for the duration of the project, they need to be fully aware of that situation. Letters of agreement regarding secure funding from partners go a long way toward ensuring staff feel secure about their jobs.

When there is no multi-year agreement in place, there is always a cliff-hanger at the end of the year — will we survive or not?

Interview participant

Accountability Lessons

Balancing the horizontal with the vertical

Lines of accountability have been designed for a vertical organizational model, and care must be taken to ensure that partners involved in horizontal projects can maintain those lines of accountability while also ensuring that the goals of the horizontal initiative are achieved. An explicit agreement should be obtained from all of the partners at the outset of the initiative and enshrined in an MOU (such as those constructed by the Business Council of Manitoba's Award Program and by the partners in the Atlantic Coastal Zone Information Steering Committee). Partners should agree on who will speak for the initiative and who will ensure that reporting is done in a clear and appropriate fashion that is acceptable to all partners involved.

Interview participants noted that horizontal initiatives would benefit from early discussion of departmental mandates to clarify the type of participation each partner can contribute.

You need a project champion that will keep reminding people of the benefits of participating in horizontal initiatives.

Interview participant

When the goals of the project are in line with those of the department, no issues of accountability are experienced.

Interview participant

When horizontal partnerships involve different levels of government, jurisdictional issues will almost inevitably rise to the surface. The advice from many interview participants is "to take care to walk gently in that area". The tasks of such initiatives should be deliberately created so as not to infringe on any one department's particular mandate. In many cases, if one were to talk about horizontal *management* of a particular sector in a region (such as fisheries or shipping, for example), conflict between partners would be sure to arise. In the case of existing Maritime partnerships (such as ACZISC and CANMARNET), partners often emphasize the exchange of information between themselves. By paying careful attention to the mandates of the various partners, it is possible to create an initiative that provides value without infringing on particular mandates.

Building lines of communication between partners

Another issue identified by managers is the need to build communication channels between partners in a horizontal initiative. It is vital to ensure that lines of communication between the partners are kept open. Communication is a must in order to ensure that all partners are kept up to date on the activities of the initiative, and that these activities are in line with what the partners originally agreed to.

One way to build strong networks of communication is to have the partner departments send the same representatives to sit on steering or organizational committees for as long as possible. When partners get to know each other, they develop a better understanding of the issues facing the others. Trust is built, which also provides a groundwork for future collaborative projects.

Satisfying partners' reporting needs

Building accountability includes ensuring program mandates are respected and outcomes are reported in a way that supports each member department. In the Business Council of Manitoba's Aboriginal Education Award Program, care was taken to break down the participants by status and place of residence, to allow Indian and Northern Affairs Canada to match its financial contribution level to the population covered by its legislated mandate (Status Indians living on reserve). Decisions made by horizontal initiatives have to be justified to each member department, as it is the departments that are ultimately responsible for reporting on the results of their expenditures.

If there is not already one in place, partners need to create a system that will run reports to satisfy the needs of all partners. The departments involved in many initiatives have taken measures to change their data formats and structures to better match those of other departments and agencies.

Several participants also emphasized the importance of ensuring accountability to non-government stakeholders. In horizontal projects, it is not always possible to have one particular department take responsibility for relations with the community. Because a number of partner departments may be dealing with the community in different ways with respect to the project, it is particularly important to ensure transparency of the program arrangements.

Reporting on results to partners and to community stakeholders can take many forms. One horizontal initiative uses a variety of methods to communicate its results and outcomes: a monthly e-mail report, information on its website, and more formal reports (including both financial and results-based information) presented to members of the steering committee for use in their own departments. Partners use both the formal reports and the e-mail information in their own internal communications to ensure that their individual departments are aware of the initiative's activities and successes. The use of outside evaluation can help assure partners that they are benefiting from their involvement in a particular horizontal initiative.

From lessons learned to building future horizontal initiatives

One final lesson is the importance of passing on the knowledge attained by those involved in horizontal projects. Senior management needs to be supportive of staff who work on horizontal initiatives, while ensuring that those staff have access to others who have worked horizontally.

> If I could have just talked to someone who had done this before, it would have saved me a great deal of both anxiety and effort.
>
> Interview participant

In a horizontal initiative, procedures are not always formalized as they would be in a single-department initiative. Because there are so many verbal understandings and informal procedures, these procedures and understandings have to be re-invented following staff changes. Thus, it is vital to codify procedures so that they can be transferred to other people without losing continuity. It becomes problematic when an entire initiative depends on the knowledge of one person, which often happens in a horizontal project.

GUIDANCE FOR USING HORIZONTAL TOOLS

Overview

This section outlines some of the key considerations to be taken into account when establishing horizontal mechanisms. The content of this section is drawn primarily from Treasury Board reports and guides. Information from these documents has been selectively excerpted or summarized in an effort to adapt the content to the most common situations faced by regional departmental officials when establishing collaborative arrangements or partnerships. As a result, this chapter is intended to provide helpful guidance, but should not be viewed as a substitute for official documents (e.g. acts, regulations, policies, etc).

Collaborative Arrangements: Issues and Elements to Consider

Horizontal arrangements can be classified in many ways. For example, they can be categorized along a continuum based on the purpose the arrangement serves (e.g. from the coordination of support services to policy development and program delivery). They can also be classified by what is being shared, as shown in Table 1. This table is not designed to provide an exclusive taxonomy or absolute guidance. It is intended only as a tool for considering some of the challenges of horizontal management.

Table 1[4]

The Function: What is Being Shared[3]	Implications
Advisory (shared information) Refers to the sharing of expertise and information between parties. Problems of accountability are minimal because the authority and accountability are not altered.	Formality: formal or informal Financial: limited HR: limited Accountability: limited Risk: limited
Contributory (shared resources) Refers to the pooling of resources between parties, but not the sharing of work or personnel. Problems can arise if monies are utilized for a purpose other than the one initially approved by Parliament.	Formality: formal Financial: moderate/high HR: limited Accountability: limited/moderate Risk: limited/moderate
Coordination (shared work) Refers to the sharing of work or administration; it does not modify existing accountabilities. Two or more departments coordinate activities to achieve a specific objective but do not share decision-making authority.	Formality: formal Financial: high HR: moderate/high Accountability: limited/moderate Risk: limited/moderate
Collaboration (shared authority) Refers to more than just the sharing of work; it is the sharing of mandated authority, and usually entails ministerial involvement. This type of arrangement raises particular accountability issues because shared management requires Ministers from relevant departments to be collectively accountable for the results of the arrangement.	Formality: formal Financial: high HR: high Accountability: high Risk: moderate/high

4. These categories build upon the four categories provided in the Consulting and Audit Canada report *Impediments to Partnering and the Role of the Treasury Board,* (May 13, 1998), p. 8. The implications column has been created simply to stimulate readers to start thinking about some of the implications and challenges of working horizontally.

Setting the Framework: Informal Arrangements

The above table identifies the types of situations where formal or informal arrangements may be required. While this chapter focuses primarily on formal arrangements, a few words will be included here to address those situations where it may not be necessary to spend a lot of time and energy crafting a formal agreement between parties that wish to cooperate on a given project.

In cases where the parties agree to work together without transferring any resources to one of the partners, a formal memorandum of understanding may not be necessary. However, it could still be useful to have some type of documentation (in the form of minutes of meetings or letters, for example) to clarify the contributions and expectations of each of the partners. At a minimum, this could serve to ensure continuity in the cooperation and smooth transitions if individual officers change from time to time.

When cost sharing is occasional and not very significant, it may still not be necessary to put in place an elaborate memorandum of understanding. For example, when a contract needs to be tendered for the acquisition of a service for the benefit of the partner departments, it may be more practical and efficient for one of the partner departments to manage the administrative process. The accounting can be kept simpler by avoiding advance payments and therefore the need to set up an Other Government Department Suspense Account (explained below). A written financial arrangement is required, however. This arrangement will provide the basis for charging and recovering for the goods and services transferred between appropriations, and it should include:

- a clear delineation of the respective responsibilities of the parties involved;
- details of the goods or services to be provided;
- date(s) when such goods or services are to be provided;
- the estimated cost involved;
- the terms and conditions under which recoveries will be made; and
- any other terms and conditions as considered necessary.

It is important to note that cost transfers between budgetary appropriations are restricted to incremental costs. There should be no charging for or recovery of imputed or fixed costs, as such costs are included in the appropriation of the program supplying the goods and services. When the administrative costs required to charge and recover for the transfer are excessive in relation to the value of the goods or services transferred, departments should consider providing the goods or services without charge.

Setting the Framework: The Memorandum of Understanding

Where a formal arrangement is required, the following checklist[5] can be used for basic planning purposes, after it is reviewed and adapted to the situation and parties involved:

✓ Situational analysis showing that collaboration is an appropriate option

✓ Purpose of the collaborative effort and clear articulation of shared objectives

✓ Clear articulation of roles (within mandate) and responsibilities

✓ Clear articulation of needs and expected results for each participant, for the partnership and for the beneficiaries of the service/program

✓ Agreement on decision-making process, accountability (both shared and individual) and operating procedures

✓ Identification of risks, agreement on the allocation of risk responsibilities and how to manage them

5. This checklist is based on information contained in *The Federal Government as 'Partner': Six Steps To Successful Collaboration*, Treasury Board Secretariat, 1995.

- ✓ Agreement on measures for determining results
- ✓ Agreement on contributions from each partner (programs, expertise, information, financial resources, staff, equipment/facilities, etc.)
- ✓ Agreement on the division of benefits
- ✓ Agreement on accounting, audit and evaluation procedures
- ✓ Agreement on procedures for problem-solving, dispute resolution, and ending relationship
- ✓ Agreement on reporting, information sharing, internal and external/public communications, and stakeholders' consultations.

The following sections of this chapter are intended to provide some general guidance with respect to the key factors listed. More specifically, it will focus on what is being shared: funds, staff, risk and accountability.

Funding Options[6]

Sources of Funds

Once a partnership has been identified as the delivery alternative for a given initiative or project, the next step is to determine the appropriate source of funds and the financial arrangement.

Funds can come from traditional appropriations (including operating budget, grants and contributions, capital), special revenue spending authorities (e.g. revolving funds and net voting), or specified purpose accounts established for specific conditions. The following is a review of the different sources of funds available to support program delivery.

Traditional Appropriations

Traditional appropriations may be used when the government itself is delivering the service, through financial arrangements to third parties or in partnership agreements (e.g. transfer payments). Appropriation Acts reflect the principle that Parliament provides funding for specific purposes; therefore, these funds cannot be used for any other purpose nor can they be transferred between votes without parliamentary approval (through the Estimates process).

Traditional appropriations usually comprise operating budgets (salaries, and operating and maintenance funds) and capital budgets. These types of resources are used when departments deliver programs directly, as opposed to transfer payments through which the government financially supports the activities of outside organizations that contribute to government objectives (see next section for more details on transfer payments).

Operating and capital resources are generally appropriate when one or more of the following conditions are met:

1. The departmental mandate allows for the proposed activities and those activities support established program objectives;
2. The program is delivered directly by the federal government;
3. Expenditures are for goods or services being acquired in direct support of the department's activities;
4. Work is performed in-house because it is cost-effective;
5. Work is contracted out because it is the most cost-effective means of program delivery;
6. The purpose of the expenditures is to support corporate services; and
7. The objective is to acquire major as well as minor capital assets required to support established program objectives.

6. The information source for the sections on Funding Options and Financial Arrangements is the *Treasury Board Guide on Financial Arrangements and Funding Options.*

Transfer Payments (Grants and Contributions)

Transfer payments are payments from the federal government for which the federal government does not receive goods or services. Normally these transfer payments are identified in the Estimates. Grants are unconditional payments and as such are not subject to audit. They are therefore restricted by Parliament as to amount and recipient, and often as to purpose. Contributions are conditional and subject to audit, and therefore not as restricted as grants.

Revenue Spending Authorities

Revenue spending authorities are appropriate for activities designed to break even and activities that are partially but not completely self-supporting. Revolving funds and net voting fall into this category.

Revenue spending mechanisms are appropriate for activities having a stable mandate, identifiable client groups, and operations financed in whole or in part from user fees or other sources of revenue.

It is important to note that authority to charge fees does not authorize the spending of the resulting revenues. Unless you have specific parliamentary authority to spend revenues, all revenues must be deposited in the Consolidated Revenue Fund (CRF) and cannot be re-spent.

Revolving funds — A revolving fund is a continuous authorization by Parliament to make payments out of the CRF to sustain operations. Users fund this type of operation almost completely and it is generally considered self-sufficient.

Net voting — Net voting is an alternative means of funding selected programs or activities wherein Parliament authorizes a department to apply revenues towards costs directly incurred for specific activities and votes the net financial requirements for one fiscal year at a time. Under net voting, users finance only part of the cost of a program while general revenues finance the remainder.

Specified Purpose Accounts

When departments receive moneys from external sources for a specific purpose, they are recorded separately in what is called a “specified purpose account” to ensure that they are used only for the purpose for which they were received. This allows managers to better control and manage these funds.

The following circumstances may be encountered when partnering with non-federal entities:

- The Government of Canada receives funds in advance from external entities involved in cost-sharing, joint project and partnership arrangements.
- The Government of Canada receives funds as conditional contributions, gifts, bequests and donations. Where the object of expenditure is clear and specific, the government must use or spend these funds only for the stated purpose.
- The Government of Canada receives funds when it administers a program or a portion of one on behalf of a province.

In such cases, a request to open a specified purpose account must be submitted to and satisfy the requirements of the Receiver General. Unless specifically provided by statute, interest is not paid on gifts, bequests and donations to the Crown, contributions received towards joint undertakings or cost-sharing agreements, or funds that have been earmarked for a specific purpose.

Financial Arrangements for Transferring Funds Between Federal Departments

Interdepartmental Settlements

Interdepartmental settlements are probably the most frequent and easiest method of transferring funds between departments. With the implementation of the Financial Information Strategy (FIS) in 1999, the process has been re-engineered to simplify and expedite transactions. As a result, it is usually the creditor that initiates the transaction via the Standard Payment System (SPS) rather than the debtor department. This process should result in significantly greater efficiencies in the processing of interdepartmental settlements. However, in order to gain these efficiencies, departments require disciplined and timely bilateral administrative processes as part of any arrangement between them. Such processes need to be well understood and documented by those involved. Timeliness is not a new requirement, but an increased emphasis is being placed on it to ensure that interdepartmental settlements are handled promptly and accurately. It can contribute significantly to the maintenance and strengthening of good relations in a partnership by eliminating one of the most common irritants.

Estimates (Main or Supplementary Estimates)[7]

Alternatively, a department (the funding department) that wants another department to administer a program may request a transfer of spending authority to the spending department through the Estimates process. In this case, the spending authority will be transferred, not delegated. The spending department will have full authority to deliver the program. Note that, under this option, the spending department will bear full responsibility for delivering the program and account for all expenditures charged to its appropriation.

This authority will be subject to an MOU signed by both ministers. A separate Treasury Board submission is not normally required; however, a copy of the MOU must be provided to Treasury Board to effect the transfer. The eventual changes are to be reflected in the Estimates.

OGD Suspense Account

Where it is more efficient for one department to administer a program or make payments on behalf of other government departments (which is generally the basis for partnership agreements among departments), the administering department will normally use an "other government department" (OGD) suspense account.

An OGD suspense account is meant to improve the efficiency of program delivery. It is also intended to improve the decision-making process and resource management. The creation of the OGD suspense account, in effect, establishes a "line of credit" that permits the spending department to charge expenditures on behalf of the funding department(s).

Under a memorandum of understanding (MOU), the funding department delegates its spending authority up to a certain limit to the spending department, while retaining full accountability for resource use. The funding department's appropriation is charged for the amount advanced to the spending department's suspense account. Over the year, the spending department must charge to the OGD suspense account all expenses related to the program. At year-end (or more often, as specified in the MOU), all charges under the MOU must be transferred from the spending department OGD suspense account to the funding department's appropriation.

Several requisites must be in place before an OGD suspense account can be created and used to authorize a payment out of the Consolidated Revenue Fund:

- The funding department must have legislative authority to make payments under the program. (For example, funds are provided in a vote and the funding department has program legislative authority to conduct the activities in question.)
- An MOU must be in place between the funding department and the spending department outlining the basis of authority, the responsibilities of each department, the specific activities or programs to be administered, the limit on any expenditure and other relevant conditions. This MOU must provide an explicit delegation of authority to the spending department to manage the program and to make payments on the funding department's behalf up to a specified limit.
- There must be an appropriate management framework in place in the spending department to undertake the program and make the payments involved (e.g., Treasury Board approved terms and conditions for a contribution program).

7. Based on notes provided by the Comptrollership Sector of the Treasury Board Secretariat (January 2002).

- The funding and spending departments must process the appropriate accounting transactions in accordance with the Financial Information Strategy (FIS) Accounting Manual.
- The spending department cannot charge expenditures to the OGD suspense account in excess of the delegated limit or the amount credited to the account (i.e., the account cannot have a debit balance).
- The spending department must report regularly to the funding department(s), on an agreed schedule, on the accounting transactions in the OGD suspense account.
- The OGD suspense account (i.e., debtor and creditor departments) must be cleared at the end of the fiscal year and all expenditures accounted for within the appropriations of the funding department.

Annex B provides a template of a Memorandum of Agreement for transferring funds among departments.

Financial Arrangements with Parties Outside the Government

While this chapter focuses mainly on interdepartmental partnerships, opportunities for cooperation involving non-federal government organizations arise more and more frequently. Here are some fundamental notions that should govern the establishment of such arrangements.

A financial arrangement with non-federal government parties may include eligibility criteria, an agreement stipulating the obligations of each party, and terms and conditions outlining the minimum requirements to be incorporated into an agreement.

There are many different types of financial arrangements and funding options. This section includes only those most commonly used in partnership arrangements with partners outside the federal government.

Principles Influencing the Choice of Financial Arrangements [8]

Once the objectives of the cooperative arrangement have been set and the eventual partners identified, the choice of funding options and financial arrangements can be made. Some basic principles influence the decision-making process and identify the boundaries within which decisions are made. For the purpose of this document, we have identified seven basic principles.

1. ***Parliamentary control*** — The *Appropriation Act* specifies the amounts and defines the purpose for which funds may be used. Unless otherwise provided in the vote wording, appropriations lapse at year-end. As well, all revenues and other public moneys must be deposited in the Consolidated Revenue Fund (CRF) and not re-spent, unless revenue re-spending authority has been granted.
2. ***Authority*** — Legislation determines departments' program authorities. General Acts such as the Financial Administration Act (FAA) provide other legislative means by which authority can be obtained. Contracting authorities and policies emanating from the Treasury Board are other sources of authorities for departments.
3. ***Risk management*** — The risk management analysis and assessment process includes the identification of potential perils, factors and types of risks, including financial risks, to which departmental assets, program activities and interests are exposed.
4. ***Accountability*** — Departments are ultimately accountable to Parliament on the efficient and effective use of appropriated resources to achieve program objectives.

8. Treasury Board of Canada Secretariat. *Treasury Board Guide on Financial Arrangements and Funding Options,* sections on Funding Options and Financial Arrangements.

5. ***Fiscal environment*** — Scarcity of resources forces departments to continually re-evaluate their alternatives for program delivery and funding options to ensure that both are cost-effective.

6. ***Cost benefit analysis*** — Sound cost and qualitative information is critical to achieve greater efficiency and effectiveness in program delivery.

7. ***Disclosure*** — Financial disclosure is an essential principle that is achieved through the tabling of Departmental Performance Reports and the Public Accounts. Disclosure ensures that the objectives set by Parliament and the government are being realized.

Types of Transfer Payments

Transfer payments are transfers of money from the federal government to individuals, organizations or other levels of government, to further government policy or program delivery. With such transfers, the federal government does not:

- directly receive any goods or services, as in a purchase or sale transaction;
- expect to be repaid in the future, as with a loan; or
- expect a financial return, as in an investment made by the private sector.

While there are many types of transfer payments, this section deals only with grants and contributions.

Grants — A grant or a class of grants is an unconditional transfer payment where the government chooses to further policy or program delivery by issuing payments to individuals or organizations. Eligibility criteria and applications received in advance of payment provide sufficient assurance that the objectives of payment will be met, therefore specific conditional agreements with the recipient are not required. The government must list a grant or a class of grants in the Estimates.

Contribution — Unlike grants, a contribution is a conditional transfer made when there is or may be a need to ensure that payments have been used in accordance with legislative or program requirements. More specifically, contributions are based on reimbursing a recipient for specific expenditures according to the terms and conditions set out in the contribution agreement. Terms and conditions include key elements such as identification of recipient(s), explanation of how the proposed contribution furthers program objectives, maximum amount payable, basis and timing of payment, who has authority to approve, sign and make payment, audit arrangement, and evaluation criteria to assess the effectiveness of the contribution program relative to its objectives.

Repayable contributions are contributions all or part of which are repayable if terms and conditions requiring repayment are met or if a fixed schedule of repayments without interest is attached. All contributions to business are repayable subject to certain exemptions. The exemptions as well as the repayment provisions are outlined in the Treasury Board *Policy on Transfer Payments*.

In the context of this document, it is appropriate to note that the Treasury Board Transfer Payment Policy does not preclude departments from entering joint contribution agreements. However, in such cases the contribution agreement has to include all the terms and conditions of the various contribution programs from different departments to the same recipient.

When to Use Transfer Payment Arrangements [9]

The following conditions should be taken into account if transfer payment arrangements are to be considered:

1. the departmental mandate allows for the proposed program or activity and the appropriate grant or contribution authorities to be in place to support program objectives;
2. it would benefit the public in general and government objectives would be furthered by providing financial assistance;
3. the government decides that an outside party is better equipped than the government to assist in the delivery of a specific service or to handle a particular task;
4. the government would not receive goods or services as a result of proposed expenditures;
5. specific Acts of Parliament, program legislation, or other government policies and regulations require the delivery of programs;
6. the government supports business assistance programs to promote economic development rather than subsidies to the private sector;
7. it is the most effective and efficient means of supporting specific program objectives;
8. systems and procedures are in place to properly account for the use of resources and disclose meaningful information to Parliament; and
9. reasonable assurance can be given that the proposed transfer would not result in duplicate financing or "stacking" (i.e. financing of similar activities by more than one federal government department, other level of government sources or other sources external to the government).

[9] Ibid.

Human Resources

On occasion, cooperation arrangements will require the creation, within the federal government, of positions that are needed specifically to perform functions related to the activities of a partnership initiative or project. Essentially the same rules and policies that apply to normal departmental human resources actions will apply to these special situations, although the need to coordinate with other departments may bring some added complexity.

In selecting staff for a collaborative initiative, managers will have the same range of options available and decisions to make as they do for their regular responsibilities. But the collaborative project's accountability arrangements and the length of the project will be important factors in choosing the best course of action.

Managers must be particularly cautious in creating ongoing resource commitments for projects of limited duration. Regardless of the length of the project, it will be important to determine clearly in advance who will have supervisory responsibility for the individuals employed through the project, and what will happen to employees when the project is completed.

Below is a brief discussion of the various staffing elements that should be considered in developing the project plan.

1. Tenure of positions

Managers will want to weigh the pros and cons of a variety of staffing strategies. Possibilities include executive interchanges, assignments, secondments, developmental assignments, targeted opportunities for employment equity candidates or Aboriginal people, term positions or casual contracts, as well as indeterminate positions. A combination of strategies could be used depending on the number of staff you need. Your choice will be guided by the specific characteristics of the project. Your staffing advisor will be able to decide on the best approach.

2. Classification

For horizontal federal projects, departments may be able to "lend" positions (i.e., the position and the classification level attached to the position) to the project. For new openings, it will be necessary to write a new job description and have it classified.

There is a common misconception that a department cannot classify a job that does not already exist in some form in its organization: for example, if a department does not traditionally have Programme Administration positions, it cannot create a Programme Administration job. This is not the case. A department can create any position, as long as the description of work justifies it. Again, your Human Resources personnel should be able to advise you on developing the job description and arranging the classification. The length of time this takes will vary, depending on resources and expertise available in the department or region.

Your staffing strategy may also affect decisions about group and level. If you are considering staffing through deployments and assignments and there is a reasonable expectation that individuals will return to their home department after the project, it may be easier and more efficient to limit yourself to the types of job classification already in existence. Under the current classification regime, it is easier for employees to "travel" between some occupational groups than others.

3. Supervision and record-keeping

Assignments to horizontal projects can offer indeterminate employees good opportunities for development and growth. Unfortunately, they can also inadvertently result in "loss of profile" within their own department, especially if their experience and development is not properly tracked during the assignment. Partnership arrangements should clearly delineate ongoing supervisory responsibility for staff, including record keeping for such things as annual performance reviews. Arrangements should also cover training and development for employees as well as an agreement on how staff adjustments will be made, including during the wrap-up of the project.

4. Coverage of benefits and other "hidden" personnel costs

Never forget that salaries are only one part of the cost of personnel. Employee benefits and special items that may be available, such as the northern cost of living allowance, or performance pay, should also form part of the budget plan. Partners should discuss whether costs for training and development are appropriate in the circumstances, whether relocation expenses should be covered, and so on.

In tallying each partner's contribution, be sure to consider below-the-line costs for each contributor, such as the time and expertise of staffing officers and pay administrators or the cost of "back-filling" a position for a period of time if a department is supporting the assignment of one its employees.

Risk Management [10]

Working collaboratively can increase your risk, as the involvement of other players can reduce your direct control over many variables, but it also provides opportunities. The challenge of managing risks within a partnership arrangement is optimization: understanding and managing risk in the context of prudence and innovation. The good news is that risk management is not new to the public sector; it is an integral component of good management and decision-making at all levels.

There are many accepted descriptions of risk and risk management. The *Integrated Risk Management Framework* developed by the Treasury Board Secretariat describes risk as follows:

> *Risk refers to the uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization's objectives.*

The *Framework's* definition of risk management is the following:

> *Risk management is a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on and communicating risk issues.*

Here are some of the key elements of risk management to be addressed when embarking on a partnership agreement:

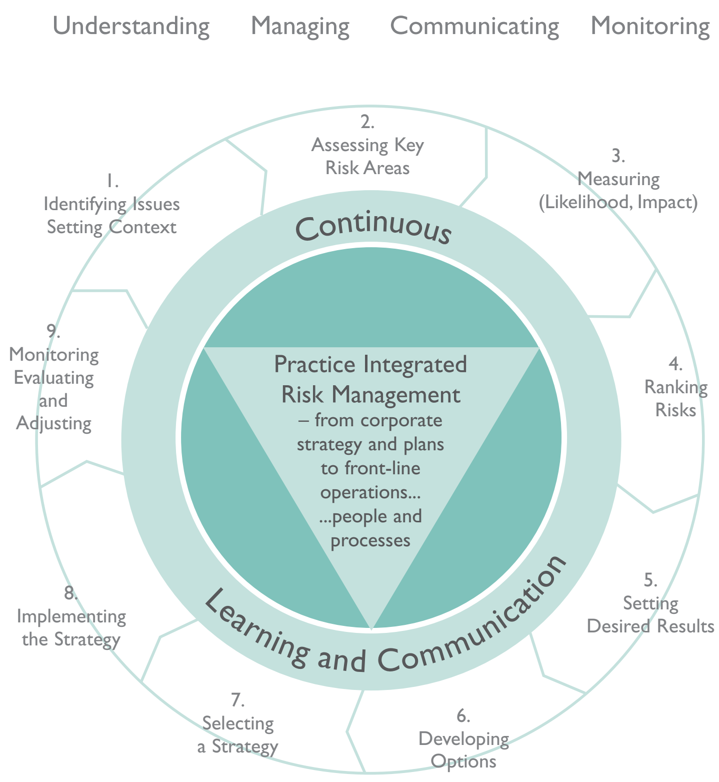
- **Risk Identification** — Identify the risks associated with the collaborative undertaking and the participating partner organizations. An awareness and understanding of the current risk tolerances of the various partners is a key ingredient in establishing a solid partnership. Risk tolerance can be determined through consultation with affected parties, or by assessing stakeholders' response or reaction to varying levels of risk exposure.
- **Risk Management** — The partners develop and agree on an approach to risk management, and it is communicated, understood and applied by all concerned. The agreement on and communication of the partnership's risk management vision, objectives and operating principles are vital to providing overall direction and a common understanding, and will ensure the successful integration of the risk management function into the cooperation agreement. This will help reinforce the notion that risk management is everyone's business.
- **Integration with Decision-Making** — An approach to operationalize risk management needs to be implemented through the partnership decision-making and reporting process. Effective risk management cannot be practiced in isolation, but needs to be built into the partnership's decision-making process.
- **Consultation and Communication** — Consult and communicate with partners and stakeholders on an ongoing basis.
- **Evaluation** — Results of risk management are evaluated to support further innovation, learning and continuous improvement. The development of evaluation and reporting mechanisms for risk management activities provides feedback to the partners and other interested parties. The results of these evaluations ensure that risk management is effective in the long term. The development of evaluation and reporting mechanisms for risk management activities provides feedback to the partners and other interested parties to promote learning from experience. Integration of the results of these evaluations into the decision-making process ensures that risk management is effective in the long term.
- **Best Practices** — Share experiences and best practices within the partnership and across the government.

10. The information in this section is based on the guidelines outlined in the *Integrated Risk Management Framework*, Treasury Board Secretariat, 2001.

A Common Process [11]

A common, continuous risk management process helps in understanding, managing and communicating risk. Continuous risk management has several steps that cover four related activities: risk identification (step 1); risk assessment (steps 2-4); responding to risk (steps 5-8) and monitoring/evaluation (step 9). Emphasis on various points in the process may vary, as may the type, rigour or extent of actions considered, but the basic steps are similar. Figure 1 illustrates an example of a continuous risk management process that focuses on an integrated approach to risk management.

Figure 1: A Common Risk Management Process



Depending on the situation, a partnership may vary the basic steps, choosing those best suited to achieving a common understanding and implementing consistent, efficient and effective risk management. A focused, systematic and integrated approach recognizes that all decisions involve management of risk, whether in routine operations or for major initiatives involving significant resources.

Governance and Accountability [12]

The increasing use of collaborative arrangements or partnerships for delivering on departmental mandates and achieving results for Canadians raises issues with respect to governance and accountability.

Partnerships in the context of the public sector can be defined as arrangements between government organizations, or between federal departments and one or more parties, in which there is an agreement to work cooperatively to achieve a public policy objective for which there is:

- shared authority and responsibility for achieving results for Canadians;
- joint investment of resources (time, funding, expertise);
- shared risk-taking; and
- mutual benefits.

The scope of a partnership arrangement is defined by who the partners are, the nature and extent of their contribution, and the manner in which the respective and collective responsibilities and accountabilities will be exercised.

11. *Integrated Risk Management Framework*, Treasury Board Secretariat, 2001

12. This section reprints parts of a paper entitled *Horizontal Management — Trends in Governance and Accountability*, prepared by Tom Fitzpatrick, Service and Innovation Sector, Treasury Board Secretariat.

Defining Governance and Accountability

Governance refers to the processes and structures through which power and authority are exercised, including the decision-making processes, i.e., *who participates and how*.

Accountability refers to the obligation to demonstrate and take responsibility for performance in light of agreed expectations, and answers the question, *"who is responsible to whom and for what"*?

Distributed Governance and Accountability occurs when the processes and structures for the exercise of power are distributed and the obligations to demonstrate and take responsibility for performance in the areas of policy, program design or program delivery are delegated or shared.

A premise that too often is not explicitly stated, but is central to the accountability question, is that *sharing federal responsibility with partners, or delegating it to them, in no way diminishes or erodes ministerial responsibility for a federal mandate*.

The governance and accountability challenge is to encourage and guide experimentation and organizational learning in a manner that respects public sector values, while maintaining the necessary accountability to ministers and to Parliament.

Ministerial Accountability - the Vertical Dimension

There is a tradition of ministerial accountability in Canada. Ministers are individually accountable to Parliament for their own actions and for all aspects of their department's activities. Ministers are also collectively accountable for the decisions taken by Cabinet. Their officials are accountable to the minister for the operation of their organizations, and not directly to Parliament.

Multiple Accountabilities of Partners - the Horizontal Dimension

In multi-partner situations, which frequently occur in horizontal partnership arrangements, effective accountability arrangements can be particularly challenging to put in place.

In multi-partner cases, each partner has dual accountabilities. On the one hand, the partnership creates accountability arrangements between the partners (horizontal accountabilities). On the other hand, each partner retains accountability obligations to its governing body, such as the minister and Parliament in the case of federal partners, for the results of the responsibilities, authorities and resources it contributes to the partnership (vertical accountability).

The key principle to keep in mind is that, while governance arrangements may result in decision-making powers being distributed (and sometimes delegated) among partners, accountability for departmental and federal mandates remains intact.

Therefore, the costs of establishing and effectively managing the arrangement need to be carefully considered before it is entered into. Practical and effective ways need to be found to allow partners to be accountable both to the other partners and to their individual governing bodies.

Accountability to the Citizen - the Citizen Dimension

Citizens are becoming more actively engaged in policy formulation, program design and delivery, and even in the governance structures of major organizations. Technology facilitates this process, making it easier for citizens to access the knowledge they need to become involved.

From a governance point of view, supporters of this trend make the following assumptions:

1. Some decisions are best made as close as possible to the people that they directly affect.[13]
2. Centralized decision-making is extremely difficult in modern organizations, not only due to the problems in managing complexity but because of the need to make decisions quickly to take advantage of opportunities in a timely and responsive manner.

13. Paquet, G. 1999, *Governance Through Social Learning*, University of Ottawa Press, p. 192.

3. Citizens and local community groups are often in the best position to know what is required in terms of programming, including the allocation of resources, benefits, and the management of risks and their impacts. However, when forming these citizen arrangements, ministerial accountability and the legitimizing role of the political process must remain intact.

Bringing It All Together: Vertical, Horizontal and Citizen-centered Accountability

Horizontal accountability requires that partners be accountable to each other. To make matters more difficult, all partners must respect their "vertical accountabilities" to their respective bodies corporate. For these relationships to be effective, there must be a reasonable intersection of mutual interest, and a reasonable alignment between the multiple vertical accountability structures, cultures and values systems, at least on the key immutable elements.

Distributed governance through partnership arrangements means complex accountability relationships that increasingly include multiple frameworks and multiple accountabilities to Canadian citizens, to each other, and to their own organizations. The next section explores how results-based accountability contributes to the integration and harmonization of these complex relationships.

The most important aspect of governance and accountability to ministers, to partners and to Canadian citizens is clarity. This means clear and direct answers to the governance and accountability questions raised at the outset of this discussion:

1. What are the processes and structures through which power is exercised, including the decision-making processes, who participates and how?

2. Who is responsible to whom and for what?

Accountability is often thought of as the constraint imposed upon decisions makers in the exercise of their authority, and indeed it is. However, when clear answers to the above questions are well articulated, it creates a "comfort zone" in which all players understand their respective, roles, expectations, responsibilities and accountabilities.

Capturing It All in a Results-based Management Framework

Unfortunately, there is no recipe for the most effective accountability framework to fit the unique circumstances of a particular case. However, there are several elements that need to be part of the formal discussion about governance and accountability, including:[14]

1. Clear articulation of the results expected.

2. Open, transparent and public reporting on results to ministers, partners and citizens.

3. Management and measurement systems that ensure that promised results can be monitored and evaluated.

4. Mechanisms to adjust the arrangements to address the concerns of citizens, ministers and partners.

5. Ensuring that government as a whole, our partners and citizens learn and adapt partnership arrangements and their governance and accountability frameworks as experience is gained.

Adhering to these key elements of results-based accountability will go far in creating the required comfort zone for effective partnerships arrangements, and provide all players involved with the clarity and coherence necessary for appropriate action and decision-making.

The following table is a practical tool that can be applied to all forms of partnership arrangements.[15] It expands on three key steps to help ensure a results-based, open and transparent process:

- identify key result commitments;
- measure performance; and
- report.

14. http://www.tbs-sct.gc.ca/report/govrev/mfr99_e.html

15. *Managing For Results 2000*, Chapter 3, Chart 4. http://www.tbs-sct.gc.ca/report/govrev/00/mfr-gar-1_e.html#_Toc496349843.

Identifying Results

Partners understand and agree on:	Partners should:
objectives, key results and strategic priorities	✓ involve citizens and clients in defining key results, state what they are and show links to objectives ✓ publish results, eligibility criteria and service level commitments ✓ focus on outcomes (vs. process, activities and outputs)
roles and responsibilities	✓ define what each party is expected to contribute to achieve the outcomes ✓ publicly recognize and explain the role and contribution of each partner ✓ respect public sector values and conflict of interest issues
balanced performance expectations	✓ clearly link performance expectations to the capacities (authorities, skills, knowledge and resources) of each partner to ensure that expectations are realistic

Measuring Performance

a performance measurement strategy	✓ identify appropriate monitoring approach and review tools ✓ use common databases where possible and share information ✓ factor in performance and contextual information from external sources, e.g. societal indicators for broader context ✓ invest in necessary information management/information technology systems.
a set of indicators for short, medium and long-term	✓ identify indicators to measure progress on objectives and results ("indicators" means what measurement tool will be used to demonstrate performance) ✓ develop comparable and societal indicators where possible
dispute resolution and appeals/complaints practices	✓ establish an approach to corrective action if partners' responsibilities not fulfilled or when adjustments are needed to address citizens' complaints

Reporting

provisions for balanced public reporting	✓ identify the reporting strategy early in the initiative ✓ consider incorporating performance information into existing reports (e.g. Departmental Performance Reports) ✓ report publicly on citizen's appeals and complaints, and ensure confidentiality and privacy needs are met
reporting that will be transparent, open, credible and timely	✓ use all forms of performance evidence to support reporting ✓ provide easy public access to information ✓ link costs to results where possible ✓ use independent assessments
sharing lessons learned	✓ track lessons learned and good practices and publish them ✓ establish mechanisms for improvements and innovations

WHERE TO FROM HERE? — THE JOURNEY CONTINUES

Complex, cross-cutting issues will continue to challenge public servants to work together across vertical lines to offer coherent, relevant solutions to those they serve. This document has shared some key lessons learned, and provided practical information to managers on how to support staffing, disburse resources, and ensure effective risk management and accountability for horizontal initiatives. There are other initiatives also underway that are designed to improve the way we work together.

In 1996, a Deputy Minister's Task Force made recommendations for managing horizontal policy issues. As noted earlier, CCMD's 1999-2000 Roundtable on the Management of Horizontal Issues built on this work, generating the document *Lessons Learned from Leading Horizontal Projects.* Seeking to further advance our knowledge and practice, this project has operated in cooperation with the jointly-led Privy Council Office - Treasury Board Secretariat Task Force on the Coordination of Federal Activities in the Regions. That Task Force will be reporting to the Clerk of the Privy Council not only on options for improving financial and administrative arrangements for horizontal coordination in regions, but also on means of better coordinating activities surrounding policy development, program design and implementation. For its part, Treasury Board Secretariat continues to work to facilitate cooperation on regional projects and to promote an increased understanding of how policies and other management tools can be applied in this context.

While the Task Force on the Coordination of Federal Activities in the Regions may well consider some new options for collaborating on horizontal issues, it will likely also focus on the development of learning tools such as this one. It is important that we all continue working to ensure that managers and executives in all functional areas of the government are aware of the mechanisms, processes and tools available to them as they strive to better meet the needs of Canada and Canadians.

APPENDIX A: KEY INFORMATION SOURCES

The Treasury Board of Canada Secretariat website provides valuable guidance and information on three sub-sites (http://www.tbs-sct.gc.ca/subsites_e.html):

- Financial management
- Human resources
- Results-based management

Other Sources

Consulting and Audit Canada. 1998. *Impediments to Partnering and the Role of Treasury Board,* Report. May 13. (http://www.tbs-sct.gc.ca)

Fitzpatrick, Tom. 2000. *Horizontal Management – Trends in Governance and Accountability,* Service and Innovation Sector, Treasury Board Secretariat. (http://www.ccmd-ccg.gc.ca/research/support_doc_e.html#2)

Hopkins, Mary, Chantal Couture, and Elizabeth Moore. 2001. *Moving from the Heroic to the Everyday: Lessons Learned from Leading Horizontal Projects.* (http://www.ccmd-ccg.gc.ca)

Paquet, Gilles. 1999. *Governance Through Social Learning,* University of Ottawa Press, p. 192.

Treasury Board of Canada Secretariat. 2001. *Integrated Risk Management Framework.* (http://www.tbs-sct.gc.ca)

Treasury Board of Canada Secretariat. 1995. *The Federal Government as 'Partner': Six Steps to Successful Collaboration.* (http://www.tbs-sct.gc.ca)

Treasury Board of Canada Secretariat. 1995. *Treasury Board Guide on Financial Arrangements and Funding Options,* sections on Funding Options and Financial Arrangements. (http://www.tbs-sct.gc.ca)

ANNEX B: SAMPLE MOU [16]

MEMORANDUM OF UNDERSTANDING (MOU)

BETWEEN

DEPARTMENT F, the Funding department,

AND

DEPARTMENT S, the Spending department,
FOR THE ADMINISTRATION OF xxx (name of the program)

(To be used when Department S is to administer a program for which Department F has a mandate).

Section 1, Purpose:

Department F is delegating to Department S the required authority for the implementation of XXX (for example, the XXX program of Department F in Yukon) in accordance with administrative processes and procedures set out in this MOU and with the FIS Accounting Manual.

Section 2, Mandate:

Department F certifies that it has the legislative authority by virtue of the **XX** Act to carry out the activities required by this MOU and to delegate to Department S the delegated activities described in the Annex. Department F remains accountable for the overall implementation of the program while Department S will carry out the activities in accordance with the terms and conditions of this MOU.

Department S is authorized to sign on behalf of Department F any contracts or agreements entered into with a third party to implement the delegated activities subject to the terms and conditions of the MOU. Any contract or arrangement should identify the government party as Her Majesty in Right of Canada as represented by the Minister of Department F represented by himself/herself by the Director General (or some other position) of Department S.

Section 3, Delegated Financial Authority:

Department S is authorized, according to its own Financial Signing Authority Chart or *describe in the next paragraph the authorities*, to charge the expenses incurred for the delegated activities to vote X Operating Expenditures and vote X Grants and Contributions of **Department F** as advanced by F to S.

[Financial signing authority is delegated as follows… (if the Financial Signing Authority Chart of **Department S** requires modification, please provide the same information as a Financial Signing Authority Chart would provide, i.e. the title of the person, the nature of the transaction, i.e. procurement or contribution, the purpose, i.e. certification of performance and requisition of payment, and the amount up to which the delegation is valid. Those delegations are required to be specified before the MOU is signed)].

16. This was developed by Western Economic Diversification (WD)

Section 4, Funds:

Department F will advance the funds to Department S for the delegated activities on an annual basis as follows:

Fiscal Year	Administrative Costs	Contribution
1999-2000	$350,000	$1,500,000
2000-2001	$350,000	$1,500,000
2001-2002	$150,000	$1,500,000
2002-2003	$150,000	$1,500,000
Total	$1,000,000	$6,000,000

Department S cannot expend more than the annual amount advanced by Department F.

Section 5, Administration:

Department S will initiate, commit, and certify performance and make payments in accordance with the delegated financial signing authorities.

Section 6, Accounting & Reporting:

Department S agrees to provide Department F with an accounting of the use of the authority on, or before, the following dates:

For 1999-2000, on or before January 31, 2000 for the period April 1 to December 31, 1999; and on or before April 15, 2000 for the period January 1 to March 31, 2000.

For 2000-2001 and subsequent fiscal years, on or before:

Due Date	Report Period
September 15	April 1 to August 31
January 15	September 1 to December 31
April 15	January 1 to March 31

The report will provide details on the Payee, the amount, the financial reporting code (i.e. expense) and also the economic object.

Section 7, Cash Flow Forecasting:

Department S agrees to provide with each accounting a forecast of the expected requirements for the remainder of the fiscal year. Any expected non-utilization of the authority needs to be communicated to **Department F** as soon as possible, and normally on or before September 15th of the current fiscal year (Note: for purposes of the Annual Reference Level Update for grants and contributions).

Section 8, Performance Reporting:

No less frequently than twice annually, **Department S** agrees to submit a report detailing the work conducted and the results accomplished, in such detail as may be established by **Department F**.

Section 9, Period of the MOU:

The period covered by this MOU is April 1, 1999 to March 31, 2003.

Section 10, Amendment:

This MOU may be amended, during the period of the MOU, with the mutual consent of both parties.

Section 11, Signatures:

IN WITNESS WHEREOF, this MOU has been executed:

On behalf of **F**:

Signature: ______________________________ Date: ____________________

Title: (If the MOU includes delegation for certification of performance and payment of expenses pursuant to sections 33 and 34 of the Financial Administration Act, the MOU should be signed by the Minister of Department F or his or her Deputy.)

On behalf of **S**:

Signature: ______________________________ Date: ____________________

Title:

ANNEX C: OVERVIEW OF CASE STUDIES

Atlantic Coastal Zone Information Steering Committee (ACZISC)

The Atlantic Coastal Zone Information Steering Committee (ACZISC) was formed by an agency of the Council of Maritime Premiers to facilitate coastal information management and resource mapping in Atlantic Canada. Within the ACZISC, no one department has taken the lead — instead, a Secretariat has been created to handle the work of the initiative on behalf of the partners.

The ACZISC, composed of representatives from federal departments, provincial governments, First Nations, private industry and academia, determine what activities the ACZISC will undertake each year. In addition to these initiatives, the Secretariat may undertake other projects for private sector institutions or public-private groups to supplement the funding provided by the members.

The ACZISC Secretariat is comprised of two employees and is physically located at an NGO, on a university campus. Current arrangements allow the ACZISC to have access to university resources such as network access and server space for its website at a preferred rate, as well as administrative and comptroller support when required.

Since its inception, the support of the Council of Maritime Premiers has been fundamental in ensuring that the Secretariat's funding is secure. Through the Council, the Maritime provinces contributed funds that were matched by the federal departments. The federal partners have recently signed a three-year MOU to ensure that the Secretariat's federal funding is secure, while the Council of Maritime Premiers has decided it will no longer manage the provinces' contributions to the ACZISC. This is a major concern for the Secretariat, as it is again thrust into the realm of financial insecurity, just when it thought it had secure funding for at least another three years. The ACZISC must now negotiate funding support with individual provincial departments.

In addition to the financial insecurity of the Secretariat, the partners in this initiative have faced other issues related to pooling funds. Partner departments handle the movement of their operating money in different ways: some request an invoice from the ACZISC, so that they can provide payment for services rendered; others prefer their contribution to flow to a designated department, which is then in charge of transferring the funds to the ACZISC.

No formal mechanisms for maintaining lines of accountability are used in this case. Instead, the individuals sitting on the steering committee are responsible for reporting back to their respective organizations and departments. The Secretariat staff provide updated budgets and workplans three times a year at the ACZISC meetings, which individual members of partner departments are encouraged to report to their own departments, ensuring that the lines of accountability are respected. The Secretariat also makes extensive use of its website and e-mail communications to keep its partners up to date with regard to Secretariat activities.

The ACZISC Secretariat has successfully persevered through financial insecurity, working with partners to provide a basis for federal-provincial-NGO-community cooperation and exchange of information in the region.

Contact: Michael J.A. Butler, ACZISC Secretariat
(902) 494-1977
mbutler@is.dal.ca
www.dal.ca/aczisc

Strength in Diversity Program (SIDP)

Nova Scotia's Strength in Diversity Program is a partnership between seven federal departments (CCRA, Health Canada, DFO, INAC, DND, HRDC and PWGSC) and the Nova Scotia Federal Council, and is designed to increase diversity among employees in federal departments. Funded primarily by the partner departments and in part through TBS's Employment Equity Positive Measures Partnership (EEPMP) fund, this program builds on the successes of an earlier, similar program. Health Canada acts as lead department for the program, providing administrative services and supervision of personnel, while PWGSC provides the working space. The other partners make financial contributions to the program.

The program is located with the Nova Scotia Council's Human Resources office, next door to Health Canada's Learning Centre Plus and the Public Service Commission, building on resources already in place. This Centre is used on a regular basis by the Federal Council and a variety of departments to deliver learning programs. Physical space for the project coordinators was originally difficult to locate, but PWGSC was able to provide the space for both the Program and the Federal Council. The connection between the Learning Centre Plus, the Federal Council, and the project has worked out to the advantage of all.

One of the major issues confronted by the project was the classification of its staff, who had been seconded from two different departments to Health Canada for the duration of the project. Delays in the classification process resulted in a late start-up of the project — negotiations resulted in a frustrating delay of over six months. Partners also dealt with misunderstandings about the transfer of funds for seconded employees. When calculating how much they would contribute to the project, some departments factored in the cost of employee benefits (20% on top of salary), while others did not. A further issue around staffing is the inability to appoint program coordinators to indeterminate positions with the program.

Memoranda of Understanding (MOUs) are in place between the Federal Council and the seven partner departments, and between the Federal Council and Health Canada. Since the Federal Council is not a legal entity and therefore cannot pool the partners' money, funding for the project is transferred to the Atlantic Canada Opportunities Agency, in trust for the Strength in Diversity Program. ACOA is able to handle this fund because it houses the Federal Council, and its mandate includes coordination of the federal mandate in the Atlantic region.

Partners have reported major issues around the coordination of funding arrangements. Facilitating arrangements for the partners' contributions to the program has been challenging at times. Because ACOA is a fairly large agency, it is able to keep the project's expenses paid until the partners' contributions arrive. However, this situation has resulted in a number of concerns, as funds are not always received on time, the department often runs a deficit for the program, and financial reporting practices in the partner departments often are not constructed in compatible ways.

The project goals closely mirror those of Health Canada, the lead department, so balancing vertical and horizontal accountabilities has not been an issue. Reporting is handled through a variety of channels, ensuring that the reporting requirements of all participating departments are met. Partners in the program agreed from the beginning on how it would be managed. A management board provides strategic direction and follow-up, based on what the partners want to see occur.

Contact: Bob Hoegg, Atlantic Federal Council
(902) 426-8622
rhoegg@acoa-apeca.gc.ca

Business Council of Manitoba Aboriginal Education Awards Program

Building relationships with citizen/client groups is a priority issue for Manitoba's Federal Council. The Manitoba Business Council, representing approximately 50 employers in the province, wanted to create a scholarship and employment program for Aboriginal students. They chose to work with the Federal Council to create the program, as the Council could represent the relevant departments in the province. Funding was provided by three partners — Indian and Northern Affairs Canada (INAC), Human Resources Development Canada (HRDC), and Western Economic Development Canada (WD), in conjunction with the Government of Manitoba.

Both the Federal Council and INAC each provided a staff member to ensure that the program got off to a strong start. Staff time was a major in-kind contribution to the program's success. Non-financial resources, such as supplies and photocopying, were provided by whatever partners could afford to provide them. The Federal Council and the three federal partners made a huge amount of in-kind contributions to this program, and questions were raised as to the benefits to the partners of their involvement in such an initiative.

The Federal Council received conflicting advice on how to pool the finances for this project, so it was decided that the partners would work out the details among themselves. This was one of the major issues faced by the partners, as they really did not have consistent information to provide background for the project they wanted to undertake. INAC prepared an MOU for the three federal departments, which outlines all agreed-to funds, where they will come from in each department, and when they will be disbursed. This MOU is in place for the first three years of the pilot stage of the program.

The MOU also contains non-financial agreements, including lines of communication and responsibility. Respect for departmental mandates was built into the MOU. Partners faced some challenges in the area of accountability. INAC, as one of the founding partners of this program, has a mandate that excludes responsibility for off-reserve Aboriginal and Métis people. Thus, when reports on the program were made, it was necessary to make clear that INAC's funds supported a large group of on-reserve treaty Aboriginal people.

No partner department handles the actual disbursement of the funds to students. Instead, the program has contracted a non-profit community organization to handle the disbursements and the financial reporting. This association produces audited statements for all of the partners, which contain the information needed by all.

Contact: Michel Lagacé, Manitoba Federal Council
(204) 984-6815

Note: The Manitoba Federal Council has prepared an extensive study of this program, which is available from Michel Lagacé on request.

Canadian Maritime Network (CANMARNET)

The Canadian Maritime Network (CANMARNET) is an information system designed to improve communication and the sharing of information between federal departments working on maritime affairs. As a partner in CANMARNET, departments can access up-to-date information about shipping in the region, including positional and useful background details.

Partners in CANMARNET now include DFO, the Coast Guard, DND, CCRA, Citizenship and Immigration, CSIS, the RCMP, Transport Canada and Environment Canada. Because some partners are incident-driven, they are not always actively involved in the project. CANMARNET is being used on a daily basis, and was also used successfully during the "Turbot Wars" on the Grand Banks, and to support the recovery operations for Swiss Air Flight 111.

DND has acted as the lead department on this project, providing infrastructure and staffing for the network, which other departments could not have done as easily. Originally staff for the project were re-assigned from other areas in DND to work on CANMARNET. Currently DND has systems facilitators who ensure that CANMARNET is running properly, but there is no systems manager per se.

Partner departments provide the equipment that they themselves need to access the network. Thus, partners need to be convinced to make technological changes (e.g. upgrading computers) at the same time, and to the same types of equipment.

As well as acting as the lead department, DND has provided all of the funding for the start-up and maintenance of CANMARNET. There have been occasions over the past five years when DND considered soliciting funds from partner organizations, but it always concluded that the transfer of funds would be more trouble than it would be worth. Instead, partners provide information in exchange for access to the network. As DND has acted as lead department and supplied the infrastructure and funding for CANMARNET, the program has perhaps faced fewer issues than other horizontal programs. The partners in CANMARNET provide some direction and feedback as to what information they need from CANMARNET, but they are not required to find funding or non-financial resources to support the program.

There are MOUs in place regarding the sharing of information and data between partners, but none of them were written exclusively for CANMARNET. Instead, the sharing of data for CANMARNET was "piggy-backed" onto existing MOUs between partners. This has helped the relationships between departments continue to grow, while laying the groundwork for more cooperative projects and programs in the future.

No formal reporting is done by DND, as it is felt that issues are addressed by the CANMARNET systems people when partner departments raise questions. Since the events of September 11, 2001, the security climate has resulted in partners' expressing a renewed interest in expanding the CANMARNET system.

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re information around start-up
or
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re information around current situation