

HORIZONTAL MANAGEMENT
Trends in Governance and Accountability

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PURPOSE

The purpose of this paper is to continue the discussion on the issues of horizontal management and accountability.

The increasing use of partnership arrangements for delivering on government mandates and achieving results for Canadians raises issues for government — and for managers — with respect to governance and accountability. These are the main questions:

- What do we mean by partnership arrangements and why are they raising so many issues with respect to governance?
- What do we mean by distributed governance and what are the specific issues it creates for accountability?
- What is meant by accountability in a modern public service in which service and program delivery are so widely distributed?
- What are and should be the roles and responsibilities of key players, ministers, Parliament, central agencies, departments, partners, and the Canadian citizen?

This paper will provide a perspective on each of these questions in an effort to provoke discussion and debate, thus contributing to a more thorough understanding of the issues involved.

This paper also addresses several of the emerging issues surrounding the challenges faced when managing horizontally. It situates results-based management and accountability as well as an enhanced role for Treasury Board ministers in horizontal management.

BACKGROUND

In looking back at the history of the Canadian experience with partnership arrangements, some common themes emerge:

- The federal government has a long and successful tradition with partnership arrangements as a means of meeting important mandates and policy objectives. Examples include:
 - The construction of railway lines, from coast to coast, demonstrates that the Canadian experience with public-private partnerships pre-dates Confederation.
 - The St. Lawrence Seaway involved a partnership between Canada and the U.S.

- The Trans-Canada Highway required partnerships between the federal and provincial governments.
 - In the more recent past the financing, building and operation of the Confederation Bridge, linking Prince Edward Island with New Brunswick, ushered in an era of public-private partnerships with the “*build, own, operate*” model.
 - There are the service-delivery arrangements, such as the Canada Business Service Centres, and partnerships such as the Livingston Centre in Tillsonburg, Ontario, which houses sixteen separate agencies together with Service Canada working to provide an integrated, multi-service system for the city’s 45,000 residents and the surrounding tri-county communities.
 - The Social Union Framework Agreement, an umbrella under which governments will concentrate their efforts to renew and modernize Canadian social policy. It focuses on the pan-Canadian dimension of health and social policy systems, the linkages between the social and economic unions, and the recognition that reform is best achieved in partnership among provinces, territories and the Government of Canada.¹
- Today, governments continue to choose partnership arrangements as the delivery vehicle of choice. This is in part due to citizen demands for a “no wrong door” approach to service delivery, leading to increased intergovernmental collaboration, and in part due also to the interdependencies arising from Canada’s increasingly technological society.
 - Partnership arrangements are being driven and guided by the Government’s commitment to
 - achieve measurable improvements in citizen-centred service to Canadians;
 - ensure value for money by leveraging programs with partners that can enhance both the Government’s and its partners’ capacity to deliver responsive programs and services to Canadians; while at the same time
 - balancing the drive for innovative program and service delivery, with a respect for public sector values and the preservation of the federal government as a vibrant, cohesive and coherent national institution.

¹ http://www.tbs-sct.gc.ca/rma/account/SUFA_Template.htm

- The Canadian approach has been practical and pragmatic. Successive governments have successfully employed partnership arrangements when it made sense and was in the public interest.
- A case-by-case approach to decision making based on the merits of each major initiative has provided governments with the necessary flexibility to put in place service delivery structures that are most appropriate for the context and social climate of the time.

The growing dependence on partnership arrangements to deliver services to Canadians not only raises questions with respect to governance and accountability but also poses new challenges related to parliamentary democracy and the appropriate roles of the federal government, central agencies, departments, partners and citizens in the governance and accountability equation.

ISSUES

Defining Partnerships

The federal government increasingly involves others in governing, i.e., delivering its mandates in partnership with others. Partnerships in the context of the public sector can be defined as arrangements between a government organisation and one or more parties, in which there is an agreement to work co-operatively to achieve a public policy objective for which there is:

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

The scope of a partnership arrangement is defined by the following three parameters:

1. With whom do you partner — other governments, First Nations, non-governmental organizations or the private sector?
2. In what areas do you partner — policy development, program design, program delivery?
3. What defines the nature of the partnership in terms of responsibilities — are they retained, shared or delegated?

Partnership arrangements are defined, in large part, by the accountability and responsibility relationships in delivering services to Canadians. The following table illustrates the wide range of potential responsibility alignments for such arrangements.²

Partnership X with Y

| Responsibility | Retained | Shared | Delegated |
|----------------------------|----------|--------|-----------|
| What you partner on | | | |
| Policy | | | |
| Program design | | | |
| Program Delivery | | | |

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 is not explicitly stated but is central to the accountability question is that *sharing or delegating federal responsibility with partners in no way diminishes or erodes ministerial responsibility for a federal mandate*. For example:

- Public Works and Government Services Canada is mandated to ensure the integrity of the federal real-estate holdings. They choose to delegate the delivery of this program to a contractor. Should the contract fail, who is accountable? The contractor may be liable but PWGSC and its minister are accountable.
- Transport Canada and its minister are responsible for safe skies. They have delegated program design and program delivery to a non-share capital firm, Nav Canada. If the air navigation system fails, who is accountable? Air navigation is a

² Concept developed by Don Lenihan, Senior Associate for the Centre for Collaborative Governance.

federal responsibility and hence the minister of Transport would be held accountable for ensuring that air safety is restored by whatever means available.

The governance and accountability challenge is to encourage and guide experimentation and organisational 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 departments' and agencies' activities. (This principle is modified somewhat in the case of arms-length organizations such as tribunals and Crown corporations, where accountability for aspects of the organization's administration deliberately resides with designated officials or boards and not the minister. Nevertheless, accountability to Parliament is through the minister who remains answerable to Parliament.) Ministers are collectively also accountable for the decisions taken by the Cabinet. Their officials are accountable for the operation of their organizations to the minister, not to Parliament. Traditionally, the officials remain anonymous. However, they may be required to answer to Parliament to explain those operations on behalf of their minister, but they do not answer to Parliament regarding government policy. They are, when required, *answerable* to Parliament but remain formally accountable to their minister.³

While the practice of ministerial accountability has been tested by elements of public service reform (such as the British experiment with executive agencies) over the past number of years, it remains the cornerstone of Canada's Westminster form of parliamentary democracy.

Multiple Accountabilities of Partners — the Horizontal Dimension

In multi-partner situations, which frequently occur in horizontal partnerships, effective accountability arrangements can be particularly challenging to put in place. In such cases, each partner has *dual* accountabilities. There are the *horizontal* accountabilities created by the arrangements between the partners. And there is the *vertical* accountability to its governing body that each partner retains for the results of the responsibilities, authorities and resources it contributes to the partnership (e.g., accountability to Parliament in the case of federal partners).

The key principle to keep in mind is that while governance arrangements may result in decision making powers being distributed among the partners, accountability for federal mandates remains intact.

³ [http:// www.tbs-sct.gc.ca/rma/account/OAGTBS_E.html](http://www.tbs-sct.gc.ca/rma/account/OAGTBS_E.html)

Therefore, before entering into an arrangement, the costs of establishing and effectively managing it must be considered carefully. The partners must find practical ways of effectively accounting to each other as well as to their individual governing bodies.

Accountability to Citizens — 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, and contributes to the ability of 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 directly affected.⁴
2. Centralized decision making is extremely difficult in modern organizations, not only owing to the problems in managing complex issues but because of the need to make decisions quickly in order to take advantage of opportunities in a timely and responsive manner.
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.

Clearly, ministers, boards of management and Parliament have important roles to play in setting the context for citizen involvement and brokering the diverse constituencies that frame the public interest.

The next sections explore ways that central decision making bodies can employ results-based management as a way of addressing the mutually supporting needs of ministers, Parliament, citizens and partners.

⁴ G. Paquet, *Governance through Social Learning* (Ottawa: University of Ottawa Press, 1999). p.192.

DISCUSSION

Risk, Responsibility, Accountability

Partnership arrangements, especially relationships between multiple sectors and levels of government to meet shared objectives, have added considerable complexity to the issue of accountability. There is, therefore, a need to gain a perspective on shared or distributed governance that focuses on shared or distributed responsibility and allocation of risks and benefits while promoting system-wide learning.

When the federal government enters into a partnership arrangement in which major service delivery and even policy responsibilities are delegated to partners, the federal accountability and exposure are not reduced. While distributed governance through partnership arrangements does involve a shift in benefits, risks and responsibility, it cannot reduce or ignore the importance of ministerial accountability.

This is borne out by the Department of Justice in its advice on the extent of federal liability for these kinds of arrangements. It is also supported by practical experience, for example:

- If a plane goes off the run way at an airport and the airport authority has decided to let the emergency response team go home to save on overtime, who is accountable for the absence of an appropriate emergency response capacity: the minister of Transport, the chief executive officer or the airport manager?
- When there are problems with water quality or supply, who is accountable: the municipality, the private sector partners, the provincial government, the federal government, or all of the above?

Governments can and do delegate the responsibilities for these areas of responsibility, when it makes sense and is in the public interest. The critical issue is whether the delegation of authority by the central government changes, reduces or eliminates its accountability for what happens.

Citizens, communities and local boards of directors typically do understand the risks and the impacts of programming choices and are often well positioned to make informed decisions about the trade-offs between, for example: repaving a municipal road and refurbishing a water-treatment plant.

But at the end of the day, we must ask ourselves:

- Who is in the best position to know the state of affairs in the local community?
- Who is in the best position to make judgements about the relative risks, costs and benefits of competing courses of action?
- To what extent do citizens themselves need to be accountable for their own decisions and actions?

- To what degree must central governments, in delegating aspects of policy, program design and program delivery put in place management and governance processes that ensure objectives are met?
- What is the extent of the government's role in protecting citizens from unregulated behaviour, especially when these actions can impact on other citizens?

Accountability from the perspective of Canada's Auditor General is that "regardless of how government organizes to deliver services to Canadians, it remains responsible for ensuring federal mandates are met."⁵

Bringing Together Vertical, Horizontal and Citizen-Centred Accountability

Many initiatives are driven by attempts at citizen involvement which, together with ministerial accountability and accountability to federal partners, only serves to strengthen the legitimacy of the decision making processes.

There are often benefits in moving decision making in all areas of policy formulation, program design and program delivery out towards the citizen, with a view to "government from the outside in."

Yet the three forms of accountability must come together in a mutually supporting fashion.

In partnership arrangements, citizen bodies are often part of the formal governance structure with the power and authority to make important policy, program design and service delivery decisions, often with a great deal of autonomy, responsibility and accountability. For example, community representation on the boards of directors of airport authorities is written into their constitutions, and a major mandate of the Parks Canada Agency is the preservation of wildlife. Citizens are involved with the federal government in setting many of the parameters of this policy. The delicate balance between development interests and preservation require the full participation of citizens and clients, behaving in a responsible manner. Community representation in the boards of directors of airports is a formal part of the governance structure of these corporate entities. This goes beyond knowing where the citizenry is in terms of opinions, views and perspectives and, in fact, imbues the decisions made and outcomes achieved with a potent form of legitimacy and accountability.

What then of the relationship with the central authority of the government and its partners who are involved in these partnership arrangements?

Perhaps not surprisingly, the kinds of accountability questions that decision makers pose are very similar to those raised by partners and the citizenry:

⁵ Auditor General's Report, 1999, Chapter 23 "Involving Others in Governing: Accountability at Risk."

1. What is the rationale for decisions made?
2. On whom will the decisions have an impact?
3. What does it cost and who will benefit, who will lose?
4. Is there tangible evidence of the results achieved?
5. If I do not like the results, what can I learn from them, how can I change them?

Decision makers may not always be in a position to fully appreciate the local realities and program imperatives on the ground. However, they are very good at three of the most important aspects of modern accountability:

- defining the context in which decisions must be made;
- representing and balancing the plurality of citizen interests that define the public interest; and
- ensuring the management and governance frameworks are in place for appropriate accountability and results measurement for the enterprise.

In practical terms, it is not enough to delegate responsibility in the areas of federal interest. The government must provide the appropriate context in which the decisions can be made as well as the legislative, regulatory, policy and results-based management frameworks that ensure the government can know when and how objectives are met.

In addition, management boards, ministers and Parliament are also representatives of the citizenry who reflect a plurality of diverse and sometimes competing interests and groups that must be balanced in the broad public interest. Furthermore, they are the only authorities imbued with the legitimacy for defining what is in the public interest.

Horizontal accountability requires the partners to be accountable to each other. Making life 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 in the key immutable areas.

Distributed governance through partnership arrangements means complex accountability relationships that increasingly require multiple accountabilities and frameworks involving Canadian citizens, the partners themselves and their own organizations.

The next section explores how results-based accountability contributes to the integration and harmonization of these complex relationships.

EFFECTIVE ACCOUNTABILITY FOR PARTNERSHIP ARRANGEMENTS

Creating an Accountability Comfort Zone

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

1. What are the processes and structures through which power is exercised, including decision making, who participates and how do they participate?
2. Who is responsible to whom and for what?

Accountability is often thought of as the constraints imposed upon decision makers in the exercise of their authority — and indeed it is. However, when clear answers to the above questions are well articulated, they create a “comfort zone” in which all players understand their respective roles, expectations, responsibilities and accountabilities.

Key Features of 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 critical elements that need to be part of the formal discussion about governance and accountability:⁶

1. The clear articulation of the results expected.
2. Open, transparent and public reporting of the results to ministers, partners and citizens.
3. Management and measurement systems that ensure the promised results can be monitored and evaluated.
4. Mechanisms to adjust the arrangements so as to redress the concerns of citizens, ministers and partners.
5. Ensure that government as a whole, the partners and citizens learn to adapt partnership arrangements and their governance and accountability frameworks as they gain experience.

⁶ (http://www.tbs-sct.gc.ca/report/govrev/mfr99_e.html)

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

The following table is a tool that can be applied to practically all forms of partnership arrangement⁷.

⁷ <http://www.tbs-sct.gc.ca/rma/account/Final%20Accountability.doc>

| Identifying Results | |
|---|---|
| Partners understand and agree on | Partners should |
| objectives, key results and strategic priorities | <ul style="list-style-type: none"> ✓ 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 instead of process, activities or outputs |
| roles and responsibilities | <ul style="list-style-type: none"> ✓ define what each party is expected to contribute to achieve the outcomes ✓ recognize and explain publicly the role and contribution of each partner ✓ respect public sector values and conflict-of-interest issues |
| balanced performance expectations | <ul style="list-style-type: none"> ✓ link performance expectations in a clear way to the capacities (authorities, skills, knowledge and resources) of each partner to ensure that expectations are realistic |
| Measuring Performance | |
| a performance measurement strategy | <ul style="list-style-type: none"> ✓ identify appropriate monitoring approaches 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 a broader context ✓ invest in appropriate information management and technology systems |
| a set of indicators for short, medium and long terms | <ul style="list-style-type: none"> ✓ identify indicators to measure progress on objectives and results ("indicators" refers to measurement tools that will be used to demonstrate performance) ✓ develop comparable societal indicators where possible |
| dispute resolution and appeals/complaints practices | <ul style="list-style-type: none"> ✓ take corrective action if partners' responsibilities are not fulfilled or when adjustments are needed to address citizens' complaints |
| Reporting | |
| provisions for balanced public reporting | <ul style="list-style-type: none"> ✓ identify the reporting strategy early in the initiative ✓ consider incorporating performance information into existing reports (e.g., departmental performance reports to Parliament) ✓ report publicly on citizens' appeals and complaints, and ensure that confidentiality and privacy needs are met |
| reporting that will be transparent, open, credible and timely | <ul style="list-style-type: none"> ✓ 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 | <ul style="list-style-type: none"> ✓ track lessons learned and good practices, and publish them ✓ establish mechanisms for improvements and innovations |

PARTNERSHIP ARRANGEMENTS

An Enhanced Role for Treasury Board

As the government increasingly employs innovative means to create more responsive arrangements in the pursuit of improved performance in service delivery, it must balance the drive for innovation with effective governance and appropriate accountability. In addition, there must be a balance among the needs of Parliament, the government, the partners and citizens for openness, transparency, visibility and accountability in maintaining the achievement and reporting of results.

The Service and Innovation Sector of Treasury Board Secretariat is in the final stages of developing the new policy framework for alternative service delivery (ASD), which covers partnership arrangements.

A key aspect of the new framework is an enhanced role for Treasury Board ministers in overseeing significant ASD arrangements, including partnerships.

Significant partnership arrangements must deliver “Results for Canadians.” The arrangements must define:

1. The result commitments for each aspect of the initiative;
2. A measurement and reporting framework for assessing the result commitments and reporting them back to Treasury Board ministers, Parliament, partners and citizens; and
3. The mechanisms available to sponsors, ministers and Treasury Board, partners and citizens to take corrective action, as required, once the initiative is implemented.

Treasury Board Secretariat is committed to assisting departments in meeting these standards of accountability and will provide integrated policy advice in an effort to balance the drive for innovation with the preservation of the Public Service of Canada as a vibrant and coherent national institution.