

Chapter 8

Working With the Private Sector

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Working With the Private Sector

Main Points

8.1 The purpose of our study was to draw to Parliament's attention the use of co-operative arrangements between government and the private sector to achieve environmental and broader sustainable development goals. There has been an increase in the use of such arrangements, which include negotiated rule making, flexible approaches to enforcement, voluntary codes of conduct and agreements.

8.2 Concerns have been raised about the accountability, credibility and effectiveness of co-operative arrangements. These types of arrangements are relatively new so that general conclusions about their effectiveness can not yet be reached. We noted their benefits and challenges, and the lessons that can be applied to address these concerns.

8.3 Co-operative arrangements offer a promising and imaginative way to solve many problems of priority setting, equity and efficiency that come with building an approach based on the principles of sustainable development. However, they must be developed and implemented with care. A co-operative arrangement is one of many approaches to implementing public policy and is not appropriate for solving all problems. It is most effective when it is carried out within a strong framework of regulation and enforcement.

8.4 Government cannot delegate its accountability for achieving public policy objectives and protecting the public good. To address this accountability through the use of co-operative arrangements, government needs to set clear objectives, establish management and reporting mechanisms to ensure transparency, and consult when identifying participants and other interested parties.

Background and other observations

8.5 The case studies in this chapter draw attention to the innovative use of co-operative arrangements to develop solutions to environmental and broader sustainable development problems, to implement these solutions and to contribute to the policy agenda. They highlight opportunities and challenges across a range of policy tools, from improving effectiveness of regulation to advancing a management approach, to demonstrating and encouraging integrated decision making.

8.6 We noted how co-operative arrangements have the potential to allow both public and private sector organizations to extend their reach beyond their core competencies and constituencies. By concentrating a variety of resources, perspectives and capabilities, parties can meet their objectives more effectively. They can identify new and innovative solutions to address the concerns of different interested parties.

8.7 The establishment of co-operative initiatives presents a number of challenges. There is a need to determine where compatible goals and mutual benefits exist for each of the parties. Finding the right participants, securing resources, establishing relationships and building trust take time and patience. Agreeing on the respective roles and responsibilities of the participants requires commitment and attention to detail.

Introduction

8.8 The public and private sectors are interested in using more co-operative approaches to achieve environmental and broader sustainable development goals. Canada, the United Kingdom, the United States and many other countries have adopted new co-operative policy instruments, such as negotiated rule making, flexible approaches to enforcement, voluntary codes of conduct and agreements.

8.9 A number of factors are contributing to this development. Issues are becoming more complex, more global in scope and more costly to resolve. The increasing globalization of commerce reduces the ability of national governments to independently regulate activities. While adversarial approaches are appropriate to enforce laws, the result in jurisdictions with a predisposition to litigation is often gridlock rather than progress. As a consequence, there is a greater mismatch between environmental challenges and the strategies used to resolve them.

8.10 Companies are increasingly adopting an approach to environmental considerations that goes beyond compliance with regulation. They are looking to become more active in addressing environmental and emerging social issues. This decision reflects a growing indication in the business community that industry, as part of the problem, wants to be part of the solution.

8.11 Public opinion on environmental issues has been effective in eliciting increased commitment from the private sector. Business better understands the economic value of superior environmental performance and social responsibility. As companies recognize the benefits of a management-based approach, government is looking at new opportunities to work with the private sector. For example, industry can contribute expertise in its

products and processes to the development of new regulatory regimes and public policy approaches. A more multi-faceted relationship between government and business can foster the innovative and collaborative elements required to resolve current environmental and sustainable development problems.

8.12 Sustainable development implies that environmental protection, social well-being and economic activity are part of the same strategy that a more co-operative process would produce. Co-operative arrangements offer a promising and imaginative way to solve many problems of priority setting, equity and efficiency that come with building an approach based on the principles of sustainable development.

8.13 However, such arrangements must be used with care. A co-operative arrangement is one of many approaches to implementing public policy, and a relatively new one. People repeatedly told us that a co-operative arrangement is most effective when it is carried out within a strong framework of regulation and enforcement.

8.14 Governments often balance multiple policy objectives when they choose policy tools. These objectives include addressing business concerns about the impact of inflexible regulation on competitiveness, avoiding the costs of regulatory programs in times of deficit reduction, and addressing public concern for improved environmental practices and sustainable development.

8.15 Given the discernible shift to more co-operative arrangements, our interest was in the accountability, credibility and effectiveness of such initiatives. It is too early to draw conclusions about their effectiveness. However, one key requirement for assessing effectiveness is a commitment to measure, evaluate and report results from the outset.

Government and business are interested in using more co-operative approaches to achieve environmental and broader sustainable development goals.

Co-operative arrangements offer promising and imaginative solutions to many issues. However, such arrangements must be used with care.

Focus of the study

8.16 Government works with the private sector in many different ways, from sharing information and consulting to creating new entities that deliver a good or service. In the areas of the environment and sustainable development, government and industry carry out co-operative arrangements that include negotiated agreements, challenge programs and regulatory exemption programs.

8.17 While there is an information sharing or education component in most (if not all) co-operative arrangements, we do not view this component as an end in itself. Rather, it is part of establishing relationships and exploring options for what a co-operative arrangement might undertake.

8.18 For this study, we selected co-operative arrangements that involve partners from government and the private sector working together to achieve a tangible product or result. Exhibit 8.1 presents the characteristics of the types of co-operative arrangements that were the focus of this study. Some arrangements were in their very early stages and did not yet have all of these characteristics.

8.19 We selected our case studies to illustrate two points. First, co-operative approaches can be used to develop solutions to environmental, social and economic problems, to implement these solutions and to contribute to the broader policy agenda. Second, co-operative

approaches can be used to strengthen the environmental performance of organizations. They allow them to move beyond regulatory compliance to environmental management and then to integrated decision making that focusses on the triple bottom line of sustainable development — environmental, economic and social concerns.

8.20 We did not focus on alternative service delivery mechanisms. We looked, though not in detail, at arrangements referred to as “voluntary non-regulatory initiatives” and we conducted a case study of such an arrangement, Canada’s National Packaging Protocol.

8.21 Further details about the study’s objectives and scope are given at the end of this chapter.

Observations

Public-Private Pathways Toward Sustainability

The journey from improved regulation to sustainable development

8.22 We introduced the notion of the journey toward sustainable development in our May 1998 Report, Chapter 5, Expanding Horizons — A Strategic Approach to Sustainable Development.

8.23 We have used the symbol of a journey in this study to show how innovative, co-operative arrangements are helping governments move from improved

Exhibit 8.1

Characteristics of Co-operative Arrangements Selected for Our Study

The co-operative arrangements in this study:

- have a common goal that single partners would be unable to attain on their own;
- involve all partners in the planning process;
- rely on partners’ shared commitment to a common goal that is clearly defined;
- function with resources provided by each partner;
- present a shared risk for all partners;
- offer mutual benefits to all partners; and
- provide a public good or service.

regulation to sustainable development (see Exhibit 8.2). Co-operative arrangements can be used at each stage of this journey to contribute to the policy agenda, to develop solutions and to implement them.

8.24 In the private sector, the journey sees companies strengthening their environmental performance. They move beyond compliance with regulation to environmental management and on to integrated decision making.

8.25 In the public sector, governments begin the journey by improving compliance with and effectiveness of regulation. Then they advance an environmental management approach by promoting individual tools and supporting the development of new management systems. Finally, they demonstrate, encourage and facilitate decision making that integrates economic, environmental and social considerations.

8.26 As we noted in our 1998 study, this journey is not one of sequential or discrete stages. Organizations pursue activities in more than one stage at a time. For example, companies comply with regulations as a minimum practice, while

they develop and implement environmental management systems.

8.27 Similarly, in the public sector a strong regulatory framework provides a minimum standard for behaviour and a solid foundation from which to pursue more co-operative initiatives. During our study, people repeatedly expressed the need for a strong regulatory framework as a foundation for other approaches to government policies and programs. Governments can then work more effectively with the private sector to advance public policy objectives through improved management and better decision making.

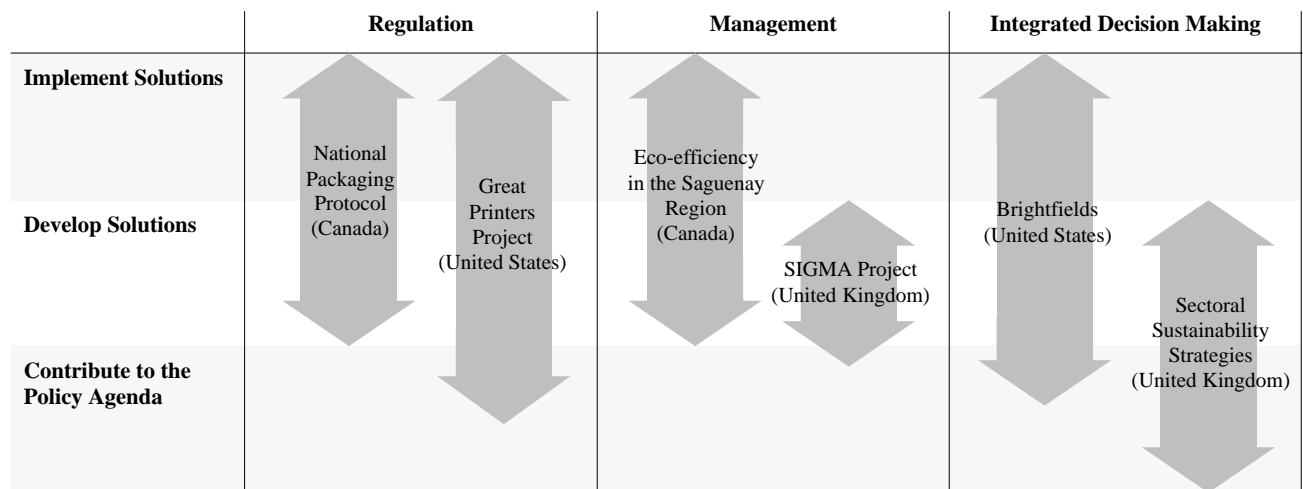
Improving the Effectiveness of Regulation

8.28 Governments use a wide range of legislative and regulatory instruments to achieve policy objectives. They are also expanding their tool kits to include other instruments to meet those objectives, while reducing administrative costs and providing an ongoing incentive for innovation and improved performance.

Co-operative arrangements are helping governments improve regulation, environmental management and integrated decision making.

Exhibit 8.2

Our Case Studies Along the Journey Toward Sustainable Development



Regulation — or the threat of increased regulation — plays a necessary role in motivating and supporting co-operative arrangements.

8.29 We heard that regulation — or the threat of increased regulation — plays a necessary role in motivating industry to find solutions to environmental problems. It can also level the playing field for companies looking to benefit by taking action ahead of their competitors. Furthermore, government can better ensure compliance with regulation if it works with industry.

The National Packaging Protocol

Challenging industry with regulatory consequences

8.30 In the late 1980s, all levels of government in Canada were under intense pressure to resolve a “solid waste crisis”. In April 1989, the Canadian Council of Ministers of the Environment (CCME), representing the provinces, the territories and the federal government, called for the development of a National Packaging Protocol (NaPP). The Protocol was to contain targets and a schedule for achieving a 50 percent reduction in waste going to landfill by 2000. The CCME formed the National Task Force on Packaging to prepare the Protocol for the spring of 1990.

8.31 The Task Force members represented industry, consumer and

environmental groups as well as federal, provincial, territorial and municipal governments. Their Protocol, which the CCME approved in 1990, identified interim targets for waste reduction of 20 percent by 1992 and 35 percent by 1996 toward the ultimate goal of 50 percent reduction by 2000.

8.32 The CCME challenged the packaging industry to meet the interim targets voluntarily. In case they chose not to do so, it made clear that regulations would be prepared immediately to achieve the necessary reductions. Industry met the targets in 1996, ahead of schedule, and reduced its waste going to landfill by 51 percent. With budget constraints announced that same year and the 2000 target already reached, the CCME wound down the activities of the Task Force.

8.33 The voluntary process of the Protocol gave the packaging industry flexibility to meet the targets. This process is considered to have delivered the desired environmental benefits and to have saved costs over other approaches. It is also believed that the voluntary process won broader participation and yielded concrete results more quickly than would have been possible through a traditional regulatory approach.

8.34 The benefits, however, extended beyond waste reduction. The initiative spurred investment and innovation in new products, equipment, packaging design and technologies that, according to participants, have resulted in substantial savings and competitive advantage. In addition, the multi-stakeholder partnership helped to form important new relationships and gain new perspectives on challenges associated with waste reduction. The benefits of these networking relationships are expected to continue beyond the term of the Task Force.

8.35 There are many lessons to be learned from the NaPP experience. In a co-operative arrangement, the roles, responsibilities and capacities of the



National Packaging Protocol

Baseline estimates for 1988 indicate that 5.4 million tonnes of packaging waste were sent to landfill in Canada. As a result of the National Packaging Protocol and the widespread commitment to its outlined policies, this quantity was reduced to 2.64 million tonnes in 1996, representing a 51 percent reduction in annual packaging waste. (See paragraph 8.32.)

Source: Industry Canada

various players need to be clear. A number of participants in the NaPP thought that it was possible to develop a packaging policy with a nationally harmonized approach and that either the CCME or the federal government was in a position to deliver such a result. This was not the case and it became a challenge to keep all of the participants at the table when a number of provinces began introducing their own regulations.

8.36 It is also necessary to be clear on definitions and to speak the same language. In more than one instance, either agreement on definitions in the Protocol was not reached or the definitions were not clear.

8.37 Finally, participants felt that the role of regulation in this initiative was well understood: it would be used only if targets were not met. Yet a number of provinces proceeded to regulate packaging waste despite the fact that the targets had been reached. This made some participants think that the Protocol's rules of engagement had been broken. The high public profile of the partnership and the perceived cost in public relations of withdrawing from the process kept these partners at the table.

8.38 Many factors contributed to the success of the NaPP. Considerable resources — a total of more than \$2.6 million — were invested in measuring and reporting performance at each target date. All of the participants we interviewed affirmed that Environment Canada's role as secretary provided vital support to the initiative. Perhaps most important, both the key performance objective of the NaPP and the consequences of inaction were clear. The packaging industry perceived the threat of a patchwork of regulations across the country, which significantly motivated it to participate in the initiative.

The Great Printers Project

Adapting regulation for pollution prevention and economic gain

8.39 Regulations have been criticized for failing to provide incentives for companies to go beyond compliance. They have also been criticized for focussing on specific environmental media (such as air, land or water), for focussing on specific pollutants and often for encouraging less desirable end-of-pipe solutions. However, nothing says that regulation must specify control techniques or limit its focus to individual media. Engaging industry in a co-operative way to develop and implement regulations can improve the effectiveness of regulations and produce environmental and economic benefits.

8.40 The printing industry holds great economic importance in the American states around the Great Lakes. The Council of Great Lakes Governors, the Environmental Defense Fund and the Printing Industries of America recognized that the industry would face increasing pressure from regulation to improve its environmental performance. For this reason, they launched the Great Printers Project in 1993.

8.41 The Project brought together representatives from state and federal regulators, the printing industry and its supplier companies, labour and environmental groups. The common goal was to reinvent the system of environmental regulation. Project participants were to move beyond regulation to true prevention and streamline the means by which the Environmental Protection Agency seeks health and environmental protection, while improving the economic strength of the printing industry.

8.42 In July 1994, the partners released a report that contained recommendations to improve the regulatory system. Four states have since

Engaging industry in a co-operative way to develop and implement regulations can improve the effectiveness of regulations and produce environmental and economic benefits.

carried out pilot implementation projects and programs to recognize the environmental commitments and achievements of the Great Printers Project.

8.43 To date, over 350 printers have agreed to meet the Project's requirements. They include:

- to comply with regulation;
- to employ the most environmentally sound practices; and
- to seek continuous improvement of their environmental impacts.

8.44 Federal and state regulators reduced redundancy in the requirements for obtaining permits and filing reports. They also agreed to create a level playing field through more efficient enforcement efforts, and clarified how they would use reported information. It is now easier for printers to understand their obligations

and learn about pollution prevention. The Printers' National Environmental Assistance Center provides printers with an on-line source of pertinent, reliable and up-to-date information on pollution prevention and environmental compliance. For its part, the Environmental Defense Fund encouraged other environmentalists to step outside their traditional advocacy roles and help build demand for cleaner, greener printing.

8.45 There are a number of benefits to the approach of the Great Printers Project over a traditional regulatory approach. Regulating small and medium-sized enterprises can be expensive and inefficient, yet the aggregate impact of these businesses on the environment is substantial. As well, in this case medium-sized companies have the same monitoring and reporting requirements as large companies, though they lack the same resources to comply. As a result, regulators do not receive the information they need and it is unclear whether medium-sized companies are meeting the performance requirements.

8.46 The Great Printers Project approach improves the regulator's effectiveness in reducing harmful environmental impacts by showing companies the benefits of pollution prevention. It helps the regulator to better understand the industry and helps the industry — which is difficult to influence with regulation — to improve its performance.

8.47 Thanks to the Great Printers Project, industry participants can lower costs and improve their reputation, enjoy access to "one-stop shopping" for regulation requirements and reporting formats, and get advice on compliance and other opportunities for pollution prevention. Qualifying companies may use the Great Printers seal in marketing their products and services.

8.48 Considerable effort and resources are still required to achieve the widespread, comprehensive changes



Great Printers Project

Developed by the printing industry, the Great Printer's seal is used to identify companies committed to offering quality printing and to minimizing their impact on human health and the environment. Each of the four states that participated in the pilot project created a seal to be used by companies fulfilling the requirements of the Great Printers Project. (See paragraph 8.47.)

Source: Wisconsin Department of Natural Resources

proposed in the partners' 1994 report and to incorporate these changes into the daily operations of all the regulatory bodies concerned. Nonetheless, the Great Printers Project has increased the visibility of pollution prevention as a preferred business practice and has accelerated movement to this end.

8.49 The commitment of senior personnel from each partnership organization launched the Great Printers Project. Strong relationships among the main players at the table created a climate of trust, collaboration and consensus. The Project's steering group adopted a shared governance structure early. All parties jointly made key decisions on the direction of the Project, meeting agendas, process and other issues. This collaboration meant that they had to share the decision-making authority. Furthermore, there was an extensive effort to keep all potentially interested parties informed and to seek feedback on the recommendations. In particular, senior managers attended special briefings at the Environmental Protection Agency to obtain its endorsement and support for implementing the Project.

8.50 Together, participants in the Great Printers Project created a unique partnership that has been a model for developing more effective environmental regulation. The Agency has endorsed the approach used in the Project and has introduced this approach more widely through its programs.

Advancing a Management Approach

8.51 Regulation is one policy option available to government to achieve improved environmental performance and pursue sustainable development goals. Other options are the power to spend and to provide encouragement. The use of other options in co-operative approaches can lead government to play new roles,

including those of business partner, coalition builder, catalyst and enabler. As government moves to supplement regulation by supporting and promoting new management approaches, these roles become more evident. New challenges also arise. For example, many of our interviewees told us that there is a crucial need to find government personnel who know the drivers and culture of business.

Eco-efficiency in the Saguenay region

Introducing a management tool for improved environmental performance

8.52 In 1997, Alcan Aluminium Limited made commitments to strive for environmental leadership and to work with its suppliers to better understand and minimize environmental impacts. The company and Natural Resources Canada initiated the Saguenay partnership to conduct a pilot project on introducing eco-efficiency concepts — reduced environmental impact and resource consumption — to small and medium-sized businesses. In the long term, these businesses were expected to benefit from improved economic and environmental performance.

8.53 For Natural Resources Canada, the partnership addressed a number of objectives for sustainable development. In particular, it provided an opportunity to promote sustainable development in practice and to develop a model for doing the same in other regions and industrial sectors across the country.

8.54 The partnership involved a number of other participants, including representatives from local community groups, financial and educational institutions, other federal agencies and the Province of Quebec. Additional funding and other support came from Abitibi-Consolidated Limited and the National Research Council's Industrial Research Assistance Program.

Co-operative approaches can lead government to play new roles, including those of business partner, coalition builder, catalyst and enabler.

It is necessary for government to understand the operational and business needs of the private sector.

8.55 A group of selected university graduates received training in eco-efficiency concepts and tools, learned consulting skills and gained a unique work experience. These graduates, with supervision and support from Alcan, government personnel and others, found ways to improve the environmental performance and competitiveness of participating local companies.

8.56 Alcan collaborated with external environmental expertise and resources and experimented with new tools to fulfil its environmental policy commitment of working with local suppliers. The partnership also enhanced recognition of Alcan's environmental policy and programs and strengthened relationships between Alcan and Natural Resources Canada.

8.57 The Department gained practical insights into applying eco-efficiency concepts in small business as well as valuable experience for developing other such partnerships. It now has a kit of

training material that has been tested in the field and can be used in future projects.

8.58 Small and medium-sized businesses received advice on eco-efficiency. Some have already begun to realize tangible savings. The graduates learned about environmental issues and management tools, while gaining valuable work experience. And the Saguenay region made progress toward achieving regionally based sustainable development goals and showcasing sustainability practices and decision making.

8.59 Through this co-operative arrangement, partners were able to benefit from expertise, networks and other resources necessary to realize their objectives. As a result, the outcome of the arrangement exceeded what each partner could have accomplished on its own. It is difficult for government to reach small and medium-sized businesses. However, working with a large company helped Natural Resources Canada to overcome this obstacle and introduce new management tools to these businesses.

8.60 While partners were not without their challenges, excellent communication and a clear focus on common and tangible objectives allowed them to resolve issues and achieve their goals. A steering committee, established to direct and monitor the pilot project, maintained close contact with the partners and responded to their concerns in a timely and constructive manner. When unclear roles and responsibilities impeded progress, highly committed and effective individuals ensured the successful completion of the project.

8.61 Key to this partnership was Natural Resources Canada's understanding of the operational and business needs of the private sector. The Department kept administrative burdens to a minimum and, thanks to internal co-ordination, spoke to other partners with one voice.



Eco-efficiency in the Saguenay

After completing a three-week training period, graduate advisors worked with a small or medium-sized company for three months using eco-efficiency tools. Their role was to assist with the analysis of the company's situation, evaluate options for improvement and create a plan of action with the goal of improving environmental and economic performance. (See paragraph 8.55.)

Source: Natural Resources Canada

The SIGMA Project

Designing the next generation of a management system for sustainable development

8.62 The United Kingdom’s sustainable development strategy, revised in May 1999, included a government commitment to sponsor the creation of a sustainability management system, the SIGMA (Sustainability: Integrated Guidelines for Management) Project. The Department of Trade and Industry (DTI) and the Department of the Environment, Transport and Regions sponsored this co-operative initiative. The Project was launched in July 1999 with funding from the DTI’s new Sustainable Technologies Initiative.

8.63 The SIGMA Project has brought together the expertise of the British Standards Institution and two non-governmental organizations: Forum for the Future and the Institute of Social and Ethical AccountAbility. Its overall objective is to look at the “need for decision-making tools that can address the complexities and extended time-frames of sustainability in a clear and strategic way” (see Exhibit 8.3). The result will be the next generation of a management system for sustainable development that can be applied across industry. The first phase of the Project, one of research and development, was completed in April 2000.

8.64 During the second phase, currently under way, companies are

testing the components of the management system. The organizing partners are seeking 20 companies to pilot new tools and standards as they are being developed. These companies have already begun to examine environmental and social issues in their businesses and will contribute their learning from their experiences. Non-governmental and research organizations are conducting new research. Other stakeholders, including education institutions, trade associations and professional bodies, have been invited to contribute ideas and expertise. To date, almost 150 organizations have shown an interest.

8.65 The SIGMA Project demonstrates that government can act as catalyst and convenor in public-private partnerships. These roles are necessary because sustainable development involves a variety of issues and a wide range of stakeholders who not only give their expertise but also make the process and its results more credible. In these circumstances, government is in a unique position to encourage different parties to participate; however, it may depend on the collaboration of a number of departments.

8.66 While the SIGMA Project is in its early stages, certain factors have clearly contributed to its progress. A strong and shared belief in the Project’s objective and importance lies at the core. The sponsors have paid particular attention to having economic, environmental and social experts among the principal partners. In addition, the partners have designed a

• Biodiversity	• Full-cost accounting	• Reputation management
• Carbon management	• Green transport plans	• Risk assessment
• Community investment	• Health and safety	• Scenario planning
• Competitiveness	• Innovation	• Social accountability
• Corporate governance	• Intangible assets	• Shareholder relations
• Eco-efficiency	• Integrated product policy	• Stakeholder dialogue
• Employee learning	• Product stewardship	• Supply chain management
• Ethical and fair trading	• Reporting	• Waste minimization

Exhibit 8.3

Issues the SIGMA Project Will Address

Source: British Standards Institution

process that involves all interested parties and relies on communication and transparency.

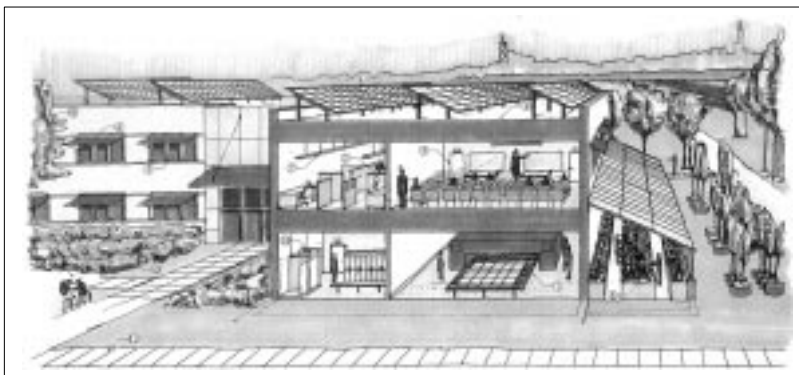
Demonstrating and Encouraging Integrated Decision Making

8.67 Management tools generally seek to harmonize two of the three elements of sustainable development, the environment and the economy. The SIGMA Project is trying to take the management approach beyond existing environmental systems by including the social element. Moving to decision making that integrates environmental, economic and social factors is the next step toward sustainable development. Our case studies in this section are an example of co-operatively developing and implementing solutions and an example of working together to translate the agenda of broad public policy into private sector action.

Brightfields

Building economic, environmental and social benefits

8.68 Brightfields is a national initiative of the United States Department



Brightfields

A conceptual schematic of the “green” building rehabilitation prepared for the Brightfields project in Chicago, Illinois.

The building houses a community training centre, a solar cell manufacturer, Greencorps and commercial office space. It also incorporates energy efficiency and resource conservation. The site design includes a greenhouse, rooftop solar panels, energy-efficient landscaping and a rainwater capture system. (See paragraph 8.70.)

Source: City of Chicago

of Energy that aims to overcome the challenges of urban revitalization, toxic waste clean-up and climate change. The term “Brightfields” refers to the conversion of abandoned, contaminated industrial sites (brownfields) into usable land. The program brings to these sites pollution-free solar energy and creates jobs in high-technology solar manufacturing. The program can take many forms, such as placing photovoltaic arrays that can reduce clean-up costs, building integrated solar energy systems as part of redevelopment, and locating solar manufacturing plants on sites.

8.69 As developer, facilitator and initial funder of the program, the Department of Energy brought together the City of Chicago and Spire Corporation, a leading company in the photovoltaic industry, to launch the first venture under Brightfields. The City of Chicago, with the Department and the electric utility Commonwealth Edison, developed an extensive plan to help the three parties reach their goals for economic development, climate change, air quality, and electricity reliability.

8.70 Spire Corporation, under the name Spire Solar Chicago, will create over 100 new jobs to manufacture solar panels on a brownfield in Chicago. A two-story building on the site will be rehabilitated and made into the headquarters of Spire Solar Chicago and Greencorps Chicago, a program that offers training in community gardening. Chicago’s Department of Environment and the American Institute of Architects’ Environment Committee will redesign the building with a greenhouse, energy-efficient landscaping and a system that reuses captured rainwater. The headquarters will also have a solar energy system to supply electricity and show the public how it works.

8.71 The City of Chicago and Commonwealth Edison jointly have committed US\$8 million to purchase solar systems in the next two years. The solar

systems will be installed on other brownfields as well as schools, office buildings, transportation routes, and municipal and commercial properties. Over the next five years, Commonwealth Edison's generating system will increase energy reliability and improve air quality by preventing the production of up to 25 million pounds of carbon dioxide.

8.72 For the Department of Energy, partnerships are key to the way its research and development group, the Energy Efficiency and Renewable Energy Network, conducts its work. Not only do they provide cost-sharing opportunities, they also increase the likelihood that the group's research and development will result in practical applications. In the sector of renewable energy (energy produced from renewable sources like wind and the sun), an added challenge is the relatively high cost of new technologies. The Department has found a way to spread the risk, reduce the cost and encourage the practical application of one of these new technologies by integrating it into the redevelopment of brownfields.

8.73 The Department of Energy, the City of Chicago and Spire Corporation never lost sight of Brightfield's original objective when they attracted more partners, ideas and resources. This contribution only helped the project to improve and to create economic, environmental and social benefits for all through integrated decision making.

8.74 The Chicago Brightfields project won the commitment of the highest officials in each partnership organization to a set of shared goals with clear benefits for all. However, the project also encountered a number of challenges. One of these is a key challenge to public-private co-operation: Most of the partners, including some public sector organizations, felt that government was not making decisions fast enough. As a consequence, Spire Corporation found it very difficult to commit the time and

money required to complete negotiations with its partners.

The United Kingdom's sectoral sustainability strategies

Translating public policy into private sector action

8.75 The Government of the United Kingdom (UK) has entered into discussions with a number of trade associations to produce sectoral sustainability strategies. The purpose of these strategies is to guide industry sectors on the type of practical actions they can take to improve their economic, environmental and social performance. The initiative focusses on approaches to sustainable development by sector, in contrast with those by environmental media, such as air or water.

8.76 The UK government published its first national sustainable development strategy in 1994 and revised it in May 1999. This revised strategy contains a policy framework to guide action by the country, regions, communities, individuals, business and labour. It identifies about 150 indicators of progress and a new set of 14 headline indicators around four main objectives.

Partnerships can spread the risk, reduce the cost and encourage the adoption of innovative responses to environmental, economic and social challenges.



Sustainable Development in the United Kingdom

The sustainable development strategy of the United Kingdom (UK) presents the government's commitment to social progress, environmental protection and economic growth. An initiative to develop sectoral sustainability strategies addressing these issues will help the private sector contribute to meeting public policy goals. (See paragraph 8.75.)

Source: UK Department of the Environment, Transport and Regions

A key consideration for government is if and how to use its regulatory and taxation powers while negotiating a co-operative arrangement.

In many cases, co-operative arrangements produce results beyond what any one participant could have accomplished on its own.

8.77 The national strategy sets the government's priorities in public policy and reflects extensive consultations with many groups. As part of a broader consultation, the government identified issues that concerned the business community and sought its views on how to resolve them. Sectoral sustainability strategies were identified as possible tools for a voluntary approach by industry to sustainable development. The strategies would determine the means to turn these public policy priorities into action by the private sector.

8.78 The benefits of developing a sustainable development strategy are numerous. In preparing the national strategy, the government needed to clearly articulate its thinking on the range of social, economic and environmental issues. It also had to find answers to these issues and identify measures for assessing progress in a way that would help people to understand the issues and their consequences. The government learned a lot from this experience.

8.79 Likewise, as the trade associations develop sectoral sustainability strategies, they will stimulate thinking, analysis and learning in the industry sectors they represent. This exercise will involve understanding general issues of sustainability and the issues that are most important in a given sector. While associations proceed to identify the impacts of these issues, their plans for responding to those impacts, and the way they will measure and report performance improvements in their sectors, their members will learn about the issues and the opportunities for change.

8.80 For the government, one of the key outcomes of the sectoral strategies will be the identification of leading practices in various sectors. By identifying and promoting these practices, the government can help to raise the awareness and performance of other sectors.

8.81 The process of developing these strategies allows the government and industry to discuss common problems and options for making progress. Already, discussions have begun on a range of topics from performance indicators to emerging social issues and priorities.

8.82 This initiative is in its very early stages, and how the government and industry can work together is still unclear. While senior management of most participating sectors has publicly given its commitment, it still has to agree on the technical details, such as roles and responsibilities, resource commitments, monitoring and reporting of progress and areas of priority in need of action.

8.83 For industry, one of the major benefits of co-operation is that it would not be subject to more regulation, taxation and other measures as long as it improved its environmental performance. Consequently, a key consideration in this and any public-private initiative is if and how government will use these measures while the co-operative approach is being explored. It is important for government and industry to be clear on the use of other policy options as they move from gaining commitment to implementing the initiative.

Lessons Learned About Co-operative Arrangements

Potential benefits of public-private co-operative arrangements

8.84 We have seen how co-operative arrangements have the potential to allow both public and private organizations to extend their reach beyond their core competencies and constituencies. By concentrating a variety of resources, perspectives and capabilities, parties to an arrangement can meet their objectives more effectively. New and innovative solutions may be identified to address the concerns of different interested parties. More timely execution and lower implementation costs for all parties,

including government, can increase efficiency. In many cases, co-operative arrangements produce results beyond what any one participant could have accomplished on its own.

8.85 When the networks of the various parties are involved, increased and more diverse stakeholder participation can lead to more equitable solutions. A broadly inclusive approach increases the credibility of the process and the results. By expanding and sharing decision making, participants can reconcile their differences, find common ground and improve their understanding of complex issues. The opportunity to advance learning and fundamental change in attitude can produce benefits beyond the initiative at hand.

8.86 Government has a number of tools to meet public policy objectives. These tools include regulation, taxation and spending. Co-operative arrangements allow government to achieve its objectives by using the range of policy tools in innovative ways. They also allow industry to make a positive contribution to the policy agenda, to develop solutions and to implement solutions.

Challenges to effective public-private co-operation

8.87 The establishment of any co-operative initiative presents a number of fundamental challenges. There is a need to determine where compatible goals and mutual benefits exist for each of the parties. Finding the right participants, securing resources, establishing relationships and building trust take time and patience. Agreeing on the respective roles and responsibilities of the participants requires commitment and attention to detail.

8.88 Setting and implementing sustainable development policy is a unique undertaking, due to constantly changing knowledge of the environmental and social impacts of economic activity. It

is further complicated by the existence of a diverse and growing range of active and empowered stakeholder groups with an interest in the issues. New working arrangements are difficult to establish amid the perceptions and misperceptions of traditional adversaries. The trust and confidence that are necessary in co-operative relationships can be elusive because of the historical positions of government as regulator, business as resister of regulation, and interest groups as advocates.

8.89 Significant differences in organizational culture between the public and private sectors present challenges that were repeatedly drawn to our attention. Differences in terminology and use of language impede meaningful communication. The time needed for decision making and the level of aversion to risk are considerably less in the private sector, which can lead to frustration and even the inability to conclude an arrangement. The preference in business to negotiate one thing in return for another may meet resistance from the principle-based approach of many interest groups. It may also be seen as inappropriate or unworkable by regulatory authorities and incompatible with the requirements of public policy. Finally, the parties may have a significant investment in the status quo that prevents them from openly and constructively adopting new approaches.

8.90 There is much information available on the components and characteristics of successful co-operative arrangements to address these challenges. Our Office has done extensive work on collaborative arrangements. In fact, we presented a governing framework for them in the Auditor General's November 1999 Report, Chapter 23, Involving Others in Governing: Accountability at Risk.

8.91 However, there is considerably less information to assist in determining when to adopt a co-operative approach instead of regulation or other policy tools.

Successful co-operation requires compatible goals, mutual benefits, sufficient resources, clear roles and responsibilities and strong relationships.

Government needs to set clear objectives, establish management and reporting mechanisms, and involve all interested parties.

Environmental organizations and other non-governmental organizations play an important role in public-private co-operative arrangements.

To begin to address this challenge, the New Directions Group, composed of senior representatives of Canadian corporations and environmental organizations, published a set of conditions for the use of what it referred to as “voluntary non-regulatory initiatives.” These conditions apply equally to other co-operative arrangements (see Exhibit 8.4).

A significant concern

8.92 Government cannot delegate its accountability for achieving public policy objectives and protecting the public good. To address this accountability through the use of co-operative arrangements, government needs to set clear objectives, establish management and reporting mechanisms that ensure transparency, and consult when identifying participants and other interested parties.

8.93 The importance of regulation or the threat of regulation encouraging effective co-operation cannot be underestimated. Many people told us that co-operative arrangements need to be used within a strong framework of regulation and enforcement. Such a framework communicates the commitment of government to stated public policy objectives.

Non-governmental organizations as valuable partners

8.94 The majority of the co-operative arrangements we studied included non-governmental organizations (NGOs)

as participants and sometimes as leading partners. We believe this reflects the important role that environmental organizations and other NGOs play in public-private co-operative initiatives.

8.95 NGOs contribute many benefits to these initiatives. They bring to the issues their expertise in the environment and other areas, knowledge and a unique perspective. They give more credibility to the initiatives in the eyes of a broader constituency of interested stakeholders. The participation of a nationally or internationally recognized NGO can help to raise the profile of an initiative and add marketing value with the public.

8.96 Many NGOs have distinct networks and contacts worldwide, in government and in the communities of environmental and social activists. These can contribute distinctive points of view and valuable resources. Their experience with consultative processes can be particularly useful in large, inclusive co-operative initiatives.

8.97 We heard that successful NGO partners balance environmental and social needs with economic priorities in seeking workable solutions to an issue. Leading companies and NGOs are actively developing diverse relationships and projects to create business opportunities, while improving environmental performance and social responsibility.

Assessing co-operative arrangements

8.98 In the Auditor General’s November 1999 Report, the framework

Exhibit 8.4

Conditions for Using a Co-operative Arrangement

Source: Adapted from the New Directions Group Position on Voluntary Initiatives, 1997

- A supportive public policy framework that includes appropriate legislative and regulatory tools.
- Agreement of interested and affected parties that the arrangement is appropriate, credible and effective to achieve the desired objectives.
- A reasonable expectation of sufficient participation in the arrangement over the long term to meet objectives.
- Clearly defined roles and responsibilities for all parties.
- Capacity of parties involved in development, implementation and monitoring to fulfil their respective roles and responsibilities.

we presented for assessing collaborative arrangements focussed on ensuring credible reporting, establishing effective accountability mechanisms, ensuring adequate transparency and protecting the public interest.

8.99 Applying this framework to our case studies goes beyond the scope of this study. However, the participants in co-operative arrangements whom we interviewed referred to most of the framework’s components when they discussed necessary factors for developing and implementing such arrangements.

8.100 They considered on three levels the success of the arrangements in which they participated (see Exhibit 8.5).

8.101 The answers to three questions help to evaluate this success. Did the initiative accomplish its objective to improve a specific element of environmental quality or to promote sustainable development? Did the initiative produce benefits in addition to those produced by resolving the central environmental or sustainable development issue? How well did the process of co-operation work?

8.102 The participants we spoke to clearly emphasized the importance of having a tangible expected result on which to focus both the initiative itself and any assessment of its success.

Conclusion

8.103 Co-operative arrangements between the public and private sectors are increasingly required to deal with complex issues that single entities cannot resolve on their own. The pursuit of sustainable development in particular benefits from innovative, co-operative approaches to regulation and other public policy options.

8.104 In this study, we highlighted how governments are using these approaches to achieve environmental and broader sustainable development goals. We discussed some of the benefits and noted some of the challenges of developing and implementing such approaches, and we described the key role that NGOs can play.

8.105 Our case studies showed the emphasis that our interviewees placed on the characteristics of successful co-operative arrangements. Their comments supported the framework for

It is important to have a tangible expected result on which to focus both the initiative and any assessment of its success.

Direct Goals	<ul style="list-style-type: none"> • Measure the direct benefits in enhanced environmental quality and sustainable development. • Assess the influence on attitudes and decision making of parties involved.
Indirect Benefits	<ul style="list-style-type: none"> • Measure the impact on environmental quality in areas other than the central issue. • Measure the impact in non-environmental areas. • Assess the benefits of improved communication among parties.
Process Management	<ul style="list-style-type: none"> • Review the parties’ success in setting and meeting stated goals. • Review the parties’ satisfaction with the process, especially in comparison with available options. • Determine the impact on catalyzing new co-operative initiatives and adding to the credibility of co-operative arrangements in general.

Exhibit 8.5

Evaluating the Success of Co-operative Arrangements

Source: Adapted from Long and Arnold, *The Power of Environmental Partnerships*, 1995

assessing collaborative arrangements, published in the Auditor General's November 1999 Report.

8.106 Our interviewees identified three necessary factors for the success of public-private initiatives. These include:

- a commitment to timely action;
- an understanding of the differences in organizational behaviour between the

public and private sectors, for example, the different levels of risk tolerance; and

- the need for initiatives to focus on performance and tangible results.

8.107 More important, they drew to our attention the value of a strong, efficient and effective regulatory framework to stimulate and support effective co-operative initiatives.



About the Study

Objectives

We undertook this study to draw Parliament's attention to the use of co-operative arrangements between government and the private sector for achieving environmental and broader sustainable development goals. In their first sustainable development strategies, many departments identified the need to establish a partnership with the private sector.

The objectives of our study were to:

- highlight how governments are using innovative, co-operative arrangements to address environmental and broader sustainable development goals;
- describe the potential benefits of co-operative arrangements between the public and private sectors;
- explain the challenges facing the development and implementation of such arrangements;
- describe the role that non-governmental organizations play; and
- draw lessons from the case studies for developing and implementing credible and effective co-operative arrangements.

Scope

We invited environment and industry (or commerce) departments in Canada, the United States and the United Kingdom to identify their partnership arrangements with the private sector. We consulted experts and individuals in industry, government and non-governmental organizations. We also reviewed documentation on partnerships to learn about their management and to identify other examples of successful initiatives.

We selected eight co-operative arrangements for more detailed study. In compiling these case studies, we carried out research and interviewed key participants from industry, government and non-governmental organizations.

Study Team

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