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# **Distributed Public Governance: Agencies, Authorities and Other Autonomous Bodies in Canada**

*by*

**Toby Fyfe and Tom Fitzpatrick\***

## **1. Agencies and the machinery of government**

### **1.1. Background of agency creation in Canada**

Canada's experience in creating new organisational forms for service delivery is a product of its distinct culture and its political form, federalism. In 1867, Canada adopted a federal form of government. Because the new country included diverse linguistic, cultural and regional communities, federalism was seen as a compromise between full integration of the independent colonies and the *status quo*. Its champions thought that it would unite different communities under a common government for common purposes while preserving and respecting their differences and diversity through the creation of separate regional governments.

At Confederation, the responsibilities of the federal and provincial governments were separated into what were believed to be two mutually exclusive sets of powers. It was thought that the two levels of government would operate freely in their separate spheres. Responsibilities assigned to the federal Parliament included national defence, interprovincial and international trade and commerce, banking and monetary systems, criminal law and fisheries. The courts have also awarded the federal government jurisdiction over aeronautics, shipping, railways, telecommunications and atomic energy. Provincial legislatures are responsible for education, property and civil rights, the administration of justice, the health care system, natural resources within their borders, social security, health and municipal institutions.

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Although these jurisdictions were thought to be exclusive or non-intersecting, the rise of the welfare state in the post-war period, along with major developments in the Canadian economy, exposed their deep interdependence. For example, a strategic response to the challenges of international trade (a federal power) could not ignore the importance of education (a provincial power).

Exponential growth in the use of information and communications technologies over the last two decades has extended this interdependence. The issues that the Canadian Government is addressing are increasingly horizontal in nature, and require multi-departmental, multi-jurisdictional and even multi-sectoral responses. As a result, Canada, rather than adopting the view that a clear and simple line can be drawn between basic tasks of government, has moved toward a more holistic view aimed at the management of interdependence through collaboration and partnership.

The Government of Canada's experience over the last 15 years with alternative approaches to delivering public services has progressed from flirtation and experimentation with separate service agencies to a complex discussion of the nature and implications of collaborative partnerships. This discussion reflects the government's growing awareness that collaboration and partnership are powerful new governance tools in a progressively more interdependent world, and its realisation that, through its experience with Canadian federalism, what appeared clear and separable in theory has turned out to be complex and interdependent in practice.

## **1.2. *Alternative service delivery***

In the early 1990s, a major federal government initiative entitled *Getting Government Right*<sup>1</sup> was launched with the aim of renewal in the Canadian Government. A major part of this initiative was Program Review, a government-wide attempt to review systematically the design and delivery of all federal programmes and services. This examination of federal programmes and services focused on such issues as the extent to which they served the public interest, the role of the public sector and federal government, the potential for devolution to another level of government or sector, efficiency and effectiveness, and affordability. In support of the Program Review objectives, a *Framework for Alternative Program Delivery*<sup>2</sup> was approved by Treasury Board ministers in 1996.

There were three basic conclusions drawn from Program Review and the ASD experience:

- the policy/operations distinction is too simple;
- collaborative partnerships are not only management tools, they are also instruments of governance;
- collaboration is the appropriate response to increasing interdependence.

It was learned that the notion of separating government activity into policy and operations blurs an important distinction between three essential tasks in an organisation: policy development, programme design and programme delivery. Choices regarding programme design are often separate from those affecting how the programme will be delivered, or of choices regarding the broad policy options and goals that frame programme choices.

Canada's experimentation with alternative delivery of services has led to the creation of many organisational forms, including agencies and collaborative partnerships. These varied arrangements for service delivery reflect the pragmatic, case-by-case approach used by the government to create organisational forms that better meet citizen needs and reflect the interdependence of the Canadian federation.

## **2. Legal and organisational framework**

Since the mid-1980s, Canada, like other OECD Member countries, has seen a shift toward the creation of service delivery bodies that are more removed from the direct and administrative or political oversight and control of central agencies such as Treasury Board and the Public Service Commission. The following types of structures and arrangements have been used:

- new organisations within the federal organisational framework, including:
  - service agencies;
  - special operating agencies (SOAs);
  - departmental service agencies.
- partnership arrangements with other departments, governments and sectors for the delivery of programmes and services, such as:
  - collaboration with other departments;
  - collaboration with other governments;
  - collaboration with the private sector and the not-for-profit sector;
  - shared governance corporations;
  - contracting out of federal programmes and services to the private sector.

## **3. Governance structures**

This section looks first at the three types of agencies in Canada (service agencies, SOAs, and departmental agencies). It then broadly examines the Canadian experience with partnerships and collaborative arrangements. In the context of collaboration, the challenge for the federal government revolves around the involvement of others in governing. Delivering on unique federal and shared

mandates to achieve a public policy objective by working co-operatively assumes that there will be:

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

In other words, collaborative arrangements become defined in large part by the accountability and responsibility relationships for the delivery of service to Canadians. In working with partners, the government can choose to retain, share or delegate certain functions. These include policy-making, programme design, programme delivery and administrative functions such as human resources and finance functions. The following table illustrates the wide range of potential responsibility alignments for service and programme delivery.<sup>3</sup>

Table 1. **Federal government relationship with its service delivery agents**

Authority	Retained	Shared	Delegated
Policy			
Programme design			
Programme delivery			
Administrative (human resources, administration, finance)			

### 3.1. *Service agencies*

In rejecting the notion of creating a single-agency model and moving the service delivery functions of government into this model *en masse*, Canada chose the legislative route to create three large agencies: the Canadian Food Inspection Agency (CFIA), Parks Canada and the Canada Customs and Revenue Agency (CCRA). While all three are responsible to ministers and report to Parliament as federal government departments, each agency operates under very different levels of administrative authority, tailored to their needs and operating context.

While the three agencies account for a large segment of government (35% of employees), they are not far removed from political or central agency control. Central agency policies of the Treasury Board and the Public Service Commission do not always apply to these agencies, but they nevertheless report more extensively than traditional line departments to Treasury Board, which must approve their

corporate and business plans. The three agencies are public institutions and government departments under the Financial Administration Act. Parks Canada is the only one with its own legal identity.

In the 1996 budget announcement for the creation of the three service agencies, the Minister of Finance stated:

*Government should be focused on the needs of citizens, not the needs of bureaucracy. Canadians want their governments to co-operate, not compete. And they want better service delivered at a lower cost. Legislation will be introduced that will allow for the creation of fewer, more effective government agencies.*

These new agencies are demonstrating innovative governance structures and customised management authorities and flexibilities that will allow them to carry out their mandates.

These agencies pose no challenge to ministerial and parliamentary accountability and still have considerable central agency oversight and guidance. However, because they operate under their own administrative regimes and represent such a large portion of the federal public sector, their actions are often precedent setting, resulting in pressures and demands on the core federal public service finance, administrative and HR regimes. The principles of modern comptrollership are beginning to enter the business planning process with more accountability for performance, and ministers and Treasury Board, through the planning process, have the ability and governance levers to influence the course and direction of these organisations.

### 3.1.1. Canada Customs and Revenue Agency (CCRA)<sup>4</sup>

CCRA came into effect through federal legislation on 1 November 1999. In addition to being accountable to the Minister of National Revenue, it is also accountable for day-to-day operational decisions to a Board of Management. The board is appointed by a federal Order-in-Council, consisting of 15 members, 11 of whom are chosen from nominees identified by the provinces.

CCRA is comprised of two major service delivery sub-entities, Revenue and Canada Customs. The revenue side of the organisation administers the Tax Programme of the Government of Canada, while Customs ensures the integrity and sovereignty of Canada's borders with respect to commercial and human traffic. Responsibility for the development of federal tax policy rests with the Department of Finance.

While we refer to CCRA as a service agency, in legal terms it is a federal government department, but a department with a significant difference. For example:

- it is not covered by the policies of the Treasury Board;

- it is its own employer, can establish its own human resources and administrative regimes (staffing, classification, collective bargaining, etc.); and
- it has significant additional authorities under the Financial Administration Act that allow the raising, retention and efficient expenditure of resources.

These significant additional flexibilities and its unique governance and accountability structure better position CCRA to forge new partnerships with provinces and territories in integrating and, ideally, harmonising tax collection across jurisdictions.

The CCRA experience differs from the experience of Australia, the United Kingdom and New Zealand in that it does not really operate at arm's-length from its minister.

Table 2. **CCRA's relationship to the rest of the federal government**

Authority	Retained	Shared	Delegated
Policy	Department of Finance		
Programme design		Minister of National Revenue Minister of Finance	
Programme delivery	Minister of National Revenue		
Administrative (human resources, administration, finance)			CCRA

### 3.1.2. *Canadian Food Inspection Agency (CFIA)*<sup>5</sup>

CFIA came into effect through federal legislation in April 1997. It brought together under one service delivery organisation the food inspection activities of three federal departments: Agriculture and Agri-Food Canada, Health Canada, and Fisheries and Oceans Canada. It reports to the Minister of Agriculture. The agency provides inspection services related to food safety, economic fraud, trade-related requirements, and animal and plant health programmes. Health Canada retains the responsibility for policy, standard setting, risk assessment and audit. All other standard setting activities relating to animal feed, chemicals, fertiliser and the like, are the responsibility of CFIA.

Unlike CCRA, the agency does not have a governing Board of Directors.

CFIA was brought into existence to:

- clarify the roles and responsibilities for food inspection in Canada;
- keep the health and safety policy and standard setting within Health Canada (steering) and let the agency execute its service delivery role in a more integrated and harmonised fashion (rowing);

- reduce overlap and duplication, and provide a more horizontal management of food inspection and safety; and
- place the agency on a footing to forge partnerships with the provinces and territories for a harmonised or even integrated food inspection system for the country.

Like CCRA, the agency is legally defined as a department of the Government of Canada, again with a difference in its authority and independence in specific areas of financial and human resource administration, so that it can:

- implement activity-based costing and improve financial reporting on operations;
- provide the minister with the authority for fee setting, as opposed to regulation;
- increase the potential for revenue generation;
- use multi-year appropriation to enhance financial and operational planning; and
- become its own employer with the ability to negotiate and enter into collective agreements with its employees, establish classification standards and develop its own staffing regime.

Table 3. **CFIA's relationship to the rest of the federal government**

Authority	Retained	Shared	Delegated
Policy	Health Canada		Regulation and standards – CFIA
Programme design		Minister of Agriculture Minister of Health	
Programme delivery			CFIA
Administrative (human resources, administration, finance)			CFIA

### 3.1.3. *Parks Canada*<sup>6</sup>

Parks Canada was established as a federal government agency in the Parks Canada Agency Act in December 1998. Its mandate is to protect and present nationally significant examples of Canada's natural and cultural heritage, and to foster public understanding, appreciation and enjoyment in ways that ensure the ecological and commemorative integrity of these places for present and future generations. Programmes include National Parks, National Historic Sites, National

Marine Conservation Areas, Canadian Heritage Rivers System, Federal Heritage Buildings, Heritage Railway Stations, and Federal Archaeology.

Parks Canada represents the Government of Canada on the UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage (the World Heritage Convention). As Canada is a member state of the World Conservation Union (IUCN), Parks Canada serves jointly with the Canadian Conservation Institute as the representative to the International Centre for the Study of the Preservation and Restoration of Cultural Property (ICCROM).

The agency was established as a department under Schedule II of the Financial Administration Act. This means that Parks Canada is a separate legal entity dedicated to delivering the programmes set out within the agency's legislation and policy authorities. It reports to the Minister of Canadian Heritage. The minister remains responsible for the overall direction of the agency and is accountable to parliament for all Parks Canada activities.

Parks Canada has been provided with more flexible human resources, administrative and financial authorities. These authorities include:

- separate employer status to enable the design of a human resources management framework that is more responsive to Parks Canada's particular operational requirements and the conditions in which its employees work;
- full revenue retention and reinvestment to contribute to the financing of services;
- a two-year rolling budget to promote the wise investment of public funds and allow for funding advances; and
- a non-lapsing account to finance the establishment of new national parks, national historic sites and national marine conservation areas.

Parks Canada's Executive Board comprises the Chief Executive Officer, four directors-general, Chief Administrative Officer, executive directors in Quebec and the Mountain Parks, chief human resources officer, senior financial officer, director of communications, and senior legal counsel. As the senior decision-making body, the fundamental responsibility of the Executive Board is to set the long-term strategic direction and priorities for the organisation.

The board also approves resource allocations, new initiatives and service innovations proposed each year in national office, field unit and service centre business plans. The CEO reports to the Minister of Canadian Heritage.

Parks Canada reports to the Treasury Board, which approves its corporate, business and capital plans.

**Table 4. Parks Canada's relationship to the rest of the federal government**

Authority	Retained	Shared	Delegated
Policy	Minister of Heritage		
Programme design		Minister of Heritage and Board of Directors	
Programme delivery			Board of Directors
Administrative (human resources, administration, finance)			CEO of Parks

### 3.2. *Special Operating Agencies (SOAs)*<sup>7</sup>

The SOA concept is designed to achieve a balance between the philosophy of control (and risk avoidance) and the desire to encourage innovation and promote initiative. Agencies support a set of values – including innovation, enhanced authority at the front line, client-centred operation, self-regulation, better management of people and accountability for results – that leads to greater efficiency of operation and improved service quality.

In essence, SOAs give service delivery units increased management flexibility in return for agreed levels of performance and results. SOAs are not independent legal entities – no legislation is required to establish an SOA. They remain part of the parent department, their employees continue as public servants and union representation stays intact. They remain accountable to their parent department for results.

Unlike other departmental units, however, SOAs operate under a tailor-made, written understanding with the department. This understanding (consisting of a “Framework Agreement” and a Business Plan) covers the results and service levels expected, the flexibilities that have been granted, and the resources available to do the job.

In short, the SOA model is intended to provide greater freedom from department and government-wide administrative rules in return for a commitment to clear performance levels. Agencies will be treated “specially”. Overall, their managers and employees have greater latitude to act than those of other departmental branches.

Many functions of government lend themselves to the SOA approach. SOAs are viewed as one of several potential options for improving the delivery of government services within the broader context of alternative service delivery.

The SOA approach is based on five propositions:

- the government wants a service-oriented, client-centred public service;

- there is always room for improvement, which means finding better, more cost-effective ways to do the job;
- choice of organisational form makes a real difference;
- central rules should not inhibit good management or the ability to do things that make sense;
- within a core of central values, there can be diversity in the way that service operations are managed and in the authorities provided to do the job.

Over time, SOAs are intended to:

- improve customer service, client consultation and monitoring of service quality;
- promote cost-effective and more business-like service delivery;
- delegate more responsibility for operational matters throughout the organisation;
- make better use of information technology;
- demonstrate government action and concern for efficient management;
- promote innovation and initiative in the workplace;
- emphasise effective management of people, including support for training and career development.

Consistent with this, SOAs are oriented toward making costs visible, setting targets for improvement, developing better performance measurement systems and techniques, applying better methods, processes and ways of doing business, ensuring that deliverables are responsive to customer needs, and allocating resources to their most productive purposes. In other words, SOAs are oriented toward good management.

Increased operating authority and flexibility comes from the parent department, Treasury Board and other common service organisations.

Often, potential SOAs find that many of the flexibilities they require already exist in the department, but have not been delegated downward from executive levels or outward from central corporate groups. Discussion between proponents and the Treasury Board can identify these cases and lead to solutions.

There is no “template” or set of flexibilities that define agency status. Each SOA is different and has a unique set of “business” circumstances and management challenges. Accordingly, individual negotiations will establish the kinds of flexibilities that are appropriate.

Illustrative flexibilities have included:

- full authority to set and adjust rates, consistent with the Business Plan;
- special financial arrangements such as approval to establish a separate revolving fund;

- increased authority to enter into service contracts;
- authority to approve a variety of administrative matters such as hospitality.

SOAs remain part of their parent department and continue their accountability to Parliament through a responsible minister and deputy head. However, these accountabilities are strengthened and clarified under the agency approach. SOAs report to the deputy minister.

Clearly, the deputy may delegate responsibilities. However, deputy ministers (on behalf of ministers) are accountable for:

- negotiating appropriate Framework Agreements, approving the Business Plan and establishing a performance contract with the agency head;
- establishing a performance contract between the head of the agency and the deputy minister with the clear understanding as to what constitutes acceptable performance and on the nature of any rewards or penalties;
- setting and approving agency objectives, priorities and strategic directions;
- setting realistic performance targets and renegotiating when circumstances change;
- delegating adequate authority to ensure success;
- ensuring the agency has corporate support and information systems to measure performance and manage risk.

The Framework Agreement and the Business Plan are central to SOA accountability. On the one hand, the Framework Agreement sets out the agency mission and its relationships with other parties. On the other hand, the Business Plan represents a detailed performance contract between the department and SOA management that is renewed annually. In submitting the plan, the SOA Chief Operating Officer is committing to be held accountable for the achievement of specific objectives and performance levels. In approving the plan, the minister is agreeing to allow agency management to pursue the broad direction and strategies in the plan within the freedoms set out in the Framework Agreement. Framework Agreements themselves are generally treated as public documents and are made available, on request, to any Canadian citizen.

Each agency produces an Annual Report that covers:

- main aims and activities;
- matters essential to understanding the reports and accounts, including service and financial objectives;
- a review of performance against the Business Plan, including activities over the past year and the results achieved relative to the resources allocated;
- general management priorities over the coming year.

SOAs and/or their parent departments (particularly those operating in a commercial environment) are encouraged to establish advisory boards or councils consisting of representatives from their major clients, suppliers and other stakeholders. Review of Business Plans by the advisory board can provide useful input to the agency head or deputy minister.

Table 5. **SOA relationship to the rest of the federal government**

Authority	Retained	Shared	Delegated
Policy	Minister		
Programme design		SOA/ department	
Programme delivery			SOA
Administrative (human resources, administration, finance)		SOA	

### 3.3. *Departmental service agencies*

Currently, there is only one such organisation in existence at the federal level: *Meteorological Services Canada (MSC)*<sup>8</sup> in Environment Canada. MSC has Framework Agreements very similar to those of SOAs and, like an SOA, its creation was approved by the Treasury Board. However, its management structure is different.

In Environment Canada, there are four business lines, one of those being Weather and Environmental Prediction (WEP). There are four assistant deputy ministers, each responsible for one business line. The MSC is responsible for the WEP business line.

Environment Canada is also divided into five geographical jurisdictions, each of which is headed by a regional director-general who is responsible for the four Environment Canada business lines in the area. Therefore, both the assistant deputy minister for MSC and all five regional director-generals are accountable to the Deputy Minister of Environment Canada for specific MSC programmes.

Such a management structure does not fit the SOA model, nor does it fit the traditional departmental model, hence, the term departmental service agency.

While most SOAs are very small compared to their parent organisation, the departmental service agency is significant in that it is large in relation to its parent, Environment Canada.

### 3.4. *Collaborative arrangements and partnerships*

Partnerships/collaborative arrangements are arrangements in which the federal government organisation agrees, along with one or more parties, to co-operate with,

or delegate the delivery of a programme or service to, another organisation in order to fulfil the objectives and mandates of the Government of Canada. In these arrangements, the parties aim to *work together*. This can range from simple co-delivery of a service to efforts to co-manage large policy areas, programmes and resources. Such arrangements go well beyond the contractual model, often requiring both collaborative planning and shared decision-making.

The Canadian experience with collaborative partnerships shows that they can be used in two different, though related, ways. One is as a *management tool* with the capacity to reshape conventional public sector relationships and attitudes. A second use for collaborative partnerships is as an *instrument of governance*. In particular, successive Canadian federal governments have begun to experiment with them to redefine generic relationships including those between:

- central agencies and line departments within government (*e.g.* by using system-wide outcomes and measures and a business planning process);
- levels of government or different governments (*e.g.* through large structural agreements such as the Labour Market Development Agreements or the Social Union Framework Agreement);
- citizens and their government(s) (*e.g.* through collaborative partnerships with private and voluntary sector organisations).

Partnership arrangements have the potential for greater efficiency, flexibility, citizen participation and client satisfaction, even though departing from traditional models of delivery to experiment with new forms represents a calculated risk. Improved efficiency and the achievement of results need to be balanced with adequate accountability for the expenditure of public money and the preservation of the public interest.

Canada's experience with collaborative partnerships has taken four main forms:

1. collaborative arrangements with other governments;
2. collaboration with not-for-profit foundations;
3. collaboration with the private sector, contracting out;
4. shared governance corporations.

### **3.5. Collaborative arrangements with other governments**

The Canadian Government collaborates extensively and on a sizeable scale with provincial governments to achieve joint objectives in their shared areas of interest. Examples include:

- Labour Market Development Agreements (\$7.7 billion between 1995-96 and 1999-2000);

- National Child Benefit (\$3.8 billion between 1998-99 and 2000-01 with \$1.7 billion per year thereafter);
- Canada Infrastructure Works Program (\$2.4 billion between 1994-95 and 1999-2000); and
- Regional Bilateral Agreements (\$2.2 billion between 1996-97 and 2003-04).

### **3.6. Labour Market Development Agreements**

The Canada-Provincial Agreements on Labour Market Development illustrate the flexibility of the Canadian approach, and the interdependence of governments working together to meet objectives.

Human Resources Development Canada (HRDC) is the federal government ministry responsible for administering an employment insurance programme that provides temporary income support for unemployed Canadians while they look for work or upgrade their skills. The ministry also assists the unemployed to find and keep jobs, and promotes a safe and productive work environment for those who have jobs.

In the past, HRDC delivered its programmes and services through a nationwide network of Human Resource Centres, as well as through partnership agreements with associations, businesses and other levels of government.

On 30 May 1996, the Government of Canada proposed a new partnership arrangement with provincial and territorial governments by offering to give them the responsibility for the design and delivery of active labour market development measures funded under Part II of the *Employment Insurance Act*.

Part I of the Act gives the federal government the authority to provide employment insurance claimants with temporary income support while they look for a job. Part II grants the authority to provide a range of active employment measures that include work experience, assisted job placement, funding for training and assistance toward self-employment. The federal government's offer to partner was in response to a strongly expressed interest by the provinces and territories to play a larger role in the area of labour market development and the Prime Minister's commitment in November 1995 to withdraw from the purchase of labour market training.

When the Government of Canada offered to transfer the responsibility for the design and delivery of employment benefits and measures to the provinces and territories in May 1996, it recognised that some of them would prefer not to assume full responsibility for the design and delivery of the programmes. In those cases, a province or territory could formalise a co-management arrangement with the federal government and make planning and design decisions jointly while continuing to have HRDC deliver the benefits and measures.

Several provinces including Newfoundland, British Columbia and Prince Edward Island, have signed co-management agreements with Canada and will jointly plan and design employment programmes but have them delivered by HRDC's service delivery network. Nova Scotia signed a variation of the co-management agreement that involves the province in the design of labour market programmes and establishes co-operation in service delivery. Other provinces such as Alberta, New Brunswick, Saskatchewan and Quebec have signed agreements that transfer the full responsibility for both the design and delivery of Employment Insurance funded programmes to them.

Table 6. **Labour Market Development Agreements relationship to the federal government**

Authority	Retained	Shared	Delegated
Policy		Shared between federal and provincial government	
Programme design		Usually shared	
Programme delivery	Sometimes federal government		Sometimes provinces
Administrative (human resources, administration, finance)	Sometimes federal government		Sometimes provinces

### 3.7. Delegating to other sectors

#### 3.7.1. Shared Governance Corporations:<sup>9</sup> NavCanada and Airport Authorities

The Canadian approach to the creation of these arm's-length service and programme delivery authorities continues to be highly customised and deliberate. It often reflects the government's interest in positioning organisations with a federal public purpose in the hands of local authorities that are more accountable to the communities they operate in, and to local circumstances and opportunities.

It has also involved long-term contracting out of critical government functions to the private sector in an effort to achieve more cost-effective government for Canadians and permit federal government organisations to focus on their core activities. These are arrangements where the federal government confers discretionary authority and responsibility over programme design, planning, management and delivery, and even public policy of federal functions to independent outside bodies. Such corporations usually have corporate boards of directors which operate within a broad strategic policy or regulatory framework provided by the government.

### 3.7.1.1. *Two examples: NavCanada and the devolution of airport authorities.*

*NavCanada.* NavCanada was formed in May 1995 as a not-for-profit entity, without share capital, to assume responsibility for air navigation services formerly provided by the federal department, Transport Canada. It was incorporated under Part II of the Canada Corporations Act. It is governed by a 15-member Board of Directors. Five members are appointed by the users (four by the Air Transport Association of Canada, one by the Canadian Business Aircraft Association). Unions appoint two members. The Government of Canada appoints three members. Four members are independently chosen by the board as members at large. The board also chooses the Chief Executive Officer.

Responsibility for Canada's civil air navigation service was transferred from the federal government to NavCanada on 1 November 1996, for C\$1.5 billion under the Civil Air Navigation Services Commercialisation Act, Bill C-20.

Bill C-20 establishes the supremacy of the Aeronautics Act, which ensures that safety regulations and oversight of civil air navigation operators remains the responsibility of the federal department, Transport Canada. The Minister of Transport retains the authority to direct NavCanada to maintain an existing service or direct it to increase a level of service if required in the interests of safety. Bill C-20 gives NavCanada the authorisation to impose user charges for the provision of air navigation services.

*Airports.* Under the 1994 National Airports Policy (NAP), the federal government maintained its role as regulator, but changed its current role from airport owner and operator to that of owner and landlord. NAP shifted the cost of running Canada's airports from taxpayers to those who actually use the facilities. The federal government continues to be responsible for all aspects of aviation safety.

The federal government retains ownership of the 26 airports identified as part of the National Airports System (NAS). However, under NAP they are leased to Canadian airport authorities. These local operators are responsible for financial and operational management.

Ownership of regional/local and other smaller airports has been transferred to regional interests. Remote airports, which provide exclusive, reliable year-round access to isolated communities and currently receive federal assistance, continue to be supported.

The policy has imposed market discipline on the development and operation of airports, and made all airports more responsive to the needs of their customers and communities. These airports must meet the needs of users and the communities they serve, while those who benefit most directly from the services or facilities provided must pay a fair share of the cost.

In essence, the changeover strategy transferred responsibility for the operation, management and development of NAS airports to Canadian airport authorities (CAA's). This was done through leasing arrangements. Existing local airport authorities (LAA's) have shown themselves better able to operate airports in a more commercial and cost-efficient manner. They are more responsive to local needs, matching levels of service to local requirements.

The mandate of Canadian Airport Authorities is to manage, operate and develop the airports for which they are responsible in a safe, secure, efficient, cost-effective and financially viable manner, with reasonable airport user charges and equitable access to all air carriers. They are also to undertake and promote the development of the airport lands for which they are responsible for uses compatible with air transportation activities, and to expand transportation facilities and generate economic activity in ways that are compatible with air transportation activities.

Community accountability is ensured through the enhanced principles of accountability under which CAA's must operate. These principles are reflected in the Articles of Incorporation and bylaws of the CAA's and, where applicable, in the airport transfer legal documentation. The principles include the following:

- CAAs must be “not-for-profit” corporations, guided by a local Board of Directors;
- the board members will be representative of the local community and will not include government employees or elected representatives;
- there will be federal and provincial government representation on the Board of Directors;
- the method of appointment and revocation of appointments to the Board of Directors will be specified;
- the annual general meeting will be open to the public;
- all contracts in excess of \$75 000 will normally be awarded through a competitive bid process;
- CAA's must establish community consultative committees;
- the public will have access to the CAA's key business documents; and
- the CAA must have a performance review conducted by an outside reviewer at least once every five years.

### **3.8. Not-for-profit foundations: *The Canadian Millennium Scholarship Foundation and The Canadian Foundation for Innovation***

*The Canadian Millennium Scholarship Foundation.* This foundation was created in June 1998 as an independent corporation at arm's-length from the government. Its mandate is to administer a \$2.5 billion scholarship fund as announced in the 1998 budget.

Table 7. **Airport Authorities and NavCanada relationship to the federal government**

Authority	Retained	Shared	Delegated
Policy	Transport Canada dictates regulatory framework		The Board of Directors The Board of Directors
Programme design			NavCanada Airport Authority
Programme delivery			NavCanada Airport Authority
Administrative (human resources, administration, finance)			NavCanada Airport Authority

The Canadian Millennium Scholarship Foundation builds on the Government of Canada's Youth Employment Strategy. This strategy is delivered by 12 federal departments. It relies on active partnerships with other levels of government, non-governmental organisations, business, labour, community groups and the voluntary sector.

The purpose of the fund is to provide financial support for post-secondary education to more than 100 000 students in each year of a 10-year period beginning in 2000.

The foundation is comprised of a 15-member board, six of whom are appointed by the government. The members are knowledgeable about post-secondary education, learning and the needs of the Canadian economy.

*The Canadian Foundation for Innovation* (CFI). This foundation was created in 1997 as an independent corporation to strengthen Canadian capability for research. The foundation's goal is to strengthen the capability of Canadian universities, colleges, research hospitals, and other not-for-profit institutions to carry out world-class research and technology development. By investing in research infrastructure projects, CFI supports research excellence, and helps strengthen research training at institutions across Canada.

The Governor-in-Council appoints a minority of the members of the board, while the research and business communities appoint the majority. The Minister of Industry informs Parliament of the CFI's activities annually. CFI is responsible for a budget of \$3.15 billion. These funds are invested in partnership with the institutions and their funding partners from the public, private and voluntary sectors. On average, CFI contributes 40% of total eligible project costs. Based on this formula, the total capital investment by CFI, the institutions and their partners will exceed \$5.5 billion by 2005.

Table 8. **CFI and Canadian Millennium Scholarship Foundation relationship to the rest of the federal government**

Authority	Retained	Shared	Delegated
Policy			The Board of Directors (CFI)      The Board of Directors (CMSI)
Programme design			Canadian Foundation for Innovation      Canadian Millennium Scholarship Foundation
Programme delivery			Canadian Foundation for Innovation      Canadian Millennium Scholarship Foundation
Administrative (human resource, finance, administration)			Canadian Foundation for Innovation      Canadian Millennium Scholarship Foundation

### 3.9. *Collaboration with the private sector: contracting out*

Certain federal government departments, such as the Department of National Defence (DND), have contracted or are in the process of contracting out to the private sector major areas of their business. This means that the private sector will be the delivery agent of government for major portions of these departments' mandated business lines.

Under contracting out, the department remains accountable for ensuring results for these business lines even though service delivery for the federal function is delivered though the private sector.

As an example, there is the DND Supply Chain Project. The objectives of the Supply Chain Project are to:

- reduce costs;
- ensure operational commanders are served effectively;
- to the extent possible, maximise quality employment opportunities for affected personnel; and
- ensure customer service levels meet or exceed current satisfaction rates.

The forecasted 1999/2000 fiscal year operating expenditure to support the static Supply Chain activities is approximately \$366 million. The major contributor to the cost is personnel, which accounts for 80% of the total.

The expected result of the project is the progressive transition of a subset of the DND Supply Chain activity to a third party provider of logistic services, where this offers to be more cost-effective and as efficient as the current delivery of services.

The successful contractor will form a business alliance with DND. There will be a phased-in process that will require the contractor to initially work in an integrated project team environment with DND and Public Works Government Services Canada (PWGSC) personnel. Phase 1 will require the contractor to develop an implementation proposal, which details all costs of the project.

The Request for Proposal (RFP) calls for a contracting period of seven years, with two, two-year extension options at the Crown's discretion. The RFP also requires a detailed explanation of exit parameters for the government.

Table 9. **DND Supply Chain relationship to the rest of the federal government**

Authority	Retained	Shared	Delegated
Policy	DND		
Programme design		DND	
Programme delivery			The Contractor
Administrative (Human Resources, Administration, Finance)			The Contractor

#### 4. Policy coherence, oversight and accountability mechanisms

Central to accountability is the notion that sharing or delegating federal responsibility with service and programme delivery organisations in no way diminishes or erodes ministerial responsibility for a federal mandate. Therefore, the governance and accountability challenge in the Canadian federation has been to encourage and guide organisational experimentation and learning in a way that respects public sector values, while maintaining the necessary accountability to ministers, Parliament and the Canadian public.

Under the Westminster system of government, 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 for arm's-length organisations such as tribunals and Crown corporations, where accountability for the organisations' administration explicitly 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 also collectively accountable for the decisions taken by the Cabinet. Their officials are accountable to the minister for the operation of their organisations, and not to

Parliament. Traditionally, they 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. While the practice of ministerial accountability has been tested by elements of public service reform over the last several years, it remains the cornerstone of our Westminster form of parliamentary democracy.

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

Increasingly there is an expectation on the part of citizens and communities to be involved in many aspects of the programmes and services affecting them. This trend toward citizen involvement has implications for governments related to their accountability to citizens, over and above their vertical and horizontal accountabilities. The federal government is responding by naming citizen representatives on certain boards of directors, for example in local airport authorities.

## **5. Evaluation, lessons learnt and recent developments**

As in the case of other countries faced with similar changes in governance, various new service delivery arrangements in Canada have required reconsideration of some central issues in delegated governance. These issues have included: the appropriate role of ministers, Parliament and central agencies in oversight and guidance of these arrangements; the measurement of and accounting for performance; ensuring that behaviours and business practices are consistent with the values of a public purpose organisation; the appropriate ability and governance of the federal government to make or influence the course and direction of these organisations; and the means of bridging the policy/operations gap.

The federal government's new Policy on Alternative Service Delivery is a response to these governance and accountability challenges. It will guide departments in developing appropriate organisational and structural arrangements for service delivery so that all forms of alternative service delivery have appropriate governance and accountability relationships.

The policy will support innovation while putting in place the legislative, regulatory, policy and results-based management frameworks so that the government can know when and how objectives are met. The policy will apply to all new governance arrangements and ensure that the decision to create an alternative form of service delivery is made within the appropriate context.

The interdependent nature of the Canadian federation and the drive for citizen satisfaction continue to be the hallmarks of the Government of Canada's approach to the creation of organisational forms such as agencies and collaborative arrangements outside the departmental model. The federal government will continue its flexible, case-by-case approach, using alternative service delivery as an important tool of public administration.

## Notes

1. For more information, please refer to the following website:  
[www.tbs-sct.gc.ca/report/govrev/gfce.html](http://www.tbs-sct.gc.ca/report/govrev/gfce.html)
2. For more information, please refer to the following website:  
[www.tbs-sct.gc.ca/Pubs\\_pol/ojepubs/TB\\_B4/FR\\_e.html](http://www.tbs-sct.gc.ca/Pubs_pol/ojepubs/TB_B4/FR_e.html)
3. Don Lenihan, Centre for Collaborative Governance.
4. For more information, please refer to the following website:  
[www.ccr-aadrc.gc.ca/menu-e.html](http://www.ccr-aadrc.gc.ca/menu-e.html)
5. For more information, please refer to the following website:  
[www.cfia-acia.agr.ca/english/toce.shtml](http://www.cfia-acia.agr.ca/english/toce.shtml)
6. For more information, please refer to the following website:  
[http://parkscanada.pch.gc.ca/parks/main\\_e.htm](http://parkscanada.pch.gc.ca/parks/main_e.htm)
7. For a profile of Special Operating Agencies see:  
[www.tbs-sct.gc.ca/si-si/asd-dmps/agen/profiles\\_e.htm](http://www.tbs-sct.gc.ca/si-si/asd-dmps/agen/profiles_e.htm).
8. For more information, please refer to the following website:  
[www.msc-smc.ec.gc.ca/index\\_e.cfm](http://www.msc-smc.ec.gc.ca/index_e.cfm)
9. For more information on shared governance corporations, visit the website:  
[www.tbs-sct.gc.ca/report/CROWN/00/cc-se3\\_e.html](http://www.tbs-sct.gc.ca/report/CROWN/00/cc-se3_e.html)

# OECD Journal on Budgeting

Volume 2 – No. 1



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

## ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Pursuant to Article 1 of the Convention signed in Paris on 14th December 1960, and which came into force on 30th September 1961, the Organisation for Economic Co-operation and Development (OECD) shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

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## Foreword

The OECD *Journal on Budgeting* is a new and unique resource for policy-makers, officials and researchers in public sector budgeting. Drawing on the best of the recent work of the OECD Working Party of Senior Budget Officials, as well as special contributions from finance ministries of Member countries and others, the *Journal* provides insights on leading-edge institutional arrangements, systems and instruments for the effective and efficient allocation and management of resources in the public sector.

We regret we are unable to take unsolicited contributions to the *Journal*. We are, however, anxious to receive feedback from our readers. Your views on how to improve the *Journal* are welcome and can be sent to: The Editors, The OECD Journal on Budgeting, OECD, 2, rue André-Pascal, 75775 Paris Cedex 16, France. Fax: (33 1) 45 24 17 06; email: [pum.contact@oecd.org](mailto:pum.contact@oecd.org).

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