Intergovernmental Innovation and the Administrative State in Canada

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Introduction

Under the rubric of managerialism and New Public Management, there have been significant efforts to reform public sector organizations, management processes and values at both the federal and provincial levels in Canada. As in other federal countries, there have been a number of institutional responses resulting from this reform agenda in the Canadian federal system. This paper focuses on intergovernmental innovation at the administrative level in the federal-provincial arena of Canadian federalism.

The paper consists of two main parts. Part I focuses on why intergovernmental innovation is an imperative in Canada and other federal systems and how Canada has responded to this imperative in the past decade. After briefly outlining the methodology underpinning the paper, an overview of the implications of public sector reform and New Public Management (NPM) for intergovernmental institutions in comparative context and Canadian federalism in the past decade is presented. The second part of the paper examines intergovernmental innovation in Canada at six different levels. The central argument presented in the paper is that intergovernmental innovation faces more challenges at the macro levels of executive federalism and that evidence suggests innovation is occurring, yet more difficult to quantify, at the micro levels of the administrative state. The concluding section of the paper focuses on the conditions that contribute to intergovernmental innovation in Canada, the opportunities for innovation and the challenges and obstacles that policy makers (civil servants and political leaders) face in trying to improve intergovernmental policy making and implementation.

Innovation can take many forms. In the public service context, innovation is typically defined by new programs, new processes, creative use of resources or innovative organisational design. Innovations can be minor changes to existing services or processes that have an incremental impact or can be more systemic and transformative characterized by new structures, new types of organizations, new relationships between organizations and cultural change (UK Cabinet Office 2003). For the purposes of this paper, intergovernmental innovation is primarily defined in terms of institutional innovation – the degree to which existing institutional arrangements have been transformed to meet new policy imperatives and administrative goals. It is argued that despite the institutional innovation resulting from public sector reform initiatives in the past decade at both levels of government and the new policy imperatives in many policy areas, intergovernmental innovation has been limited in the Canadian federal system.

This paper draws on four sources to explore the implications of public sector reform for intergovernmental administrative relations and institutional innovation in Canada. Secondary sources are used throughout the paper to outline implications based on academic research and government publications to date. In addition, three primary sources of information are used for this analysis. The first is data from a mail survey which was distributed to 296 intergovernmental specialists with positions ranging from Deputy Ministers to senior policy analysts employed in intergovernmental ministries, central agencies and intergovernmental units in departments of health, environment and
trade in 2001. The second primary source is data collected from 120 elite interviews with intergovernmental officials as part of a larger project on intergovernmental policy capacity funded by the Social Sciences and Humanities Research Council of Canada’s Federalism and Federations program. The same organizations which were the source of survey respondents (with the addition of finance departments) were the source of candidates for elite interviews. The final source consists of data collected from each jurisdiction on intergovernmental agencies, budgets and personnel in Canada from 1990-2002. Collectively, these sources are used to examine institutional innovation at the administrative level in the Canadian federal system.

In the Canadian context, federalism includes the full range of institutional arrangements that fragment and consolidate power in the Canadian political system. The most significant distinguishing features are embodied in executive federalism and first minister's forums as the primary context of institutionalized interaction between the federal, provincial, territorial and First Nations governments. The paper is based on the assumption that a conceptual distinction between federalism, intergovernmental relations (IGR) and intergovernmental management (IGM) (Wright 1990) is helpful in focusing the level of analysis, distinguishing the various types of actors (elected officials, intergovernmental generalists and intergovernmental policy specialists) and examining institutional innovation in the Canadian federal system.

In contrast to federalism, which in the Canadian context focuses on executive federalism and the interactions between first ministers (the Prime Minister, provincial Premiers and Territorial Leaders) and ministers, intergovernmental relations (IGR) focuses on the interactions of policy and administrative generalists (administrative officials who work in intergovernmental ministries and central agencies). The goals of IGR interactions are more policy oriented than political and typically play out in the Deputy Minister and Assistant Deputy Minister committees which mirror policy area specific ministerial forums whose focus is on policy and coalition building through formal and informal agreements. Intergovernmental management (IGM) is focused on administration and implementation rather than policy making and coordination through formal and informal non-hierarchical networks. The focus is more concretely on policy outcomes by policy area professionals and intergovernmental specialists in departments. IGM has a problem-solving orientation and analysis focuses on the more routine transactions between governments at the administrative level (Agranoff 1988, 1999; Wright and Krane 1998). This conceptual distinction also allows for analysis of institutional innovation in terms of the “macro” institutional IGR level and the “micro” institutional IGM level in order to fully assess the degree of intergovernmental innovation in Canada. In terms of intergovernmental innovation, one would expect the evidence to exist at the IGR and IGM levels particularly if one assumes that a more networked model of intergovernmental relations is emerging (Agranoff 2001).

Public Sector Reform and Intergovernmental Innovation: Canada in Comparative Perspective

“Managing across levels of government”, “intergovernmental partnerships”, building “vertical and horizontal capacity” and intergovernmental institutional innovation have
become important components of public sector reform with the objectives of improving policy outcomes and the performance of public sector organizations in federal countries (OECD 1997, 1999). Unprecedented efforts have been made in the past decade to improve intergovernmental cooperation in order to achieve greater efficiency and effectiveness in the increasing number of policy areas where governments share roles, responsibilities and resources (Painter 1998).

Canada, like other federal states, has been wrestling with new dimensions of administrative reform under the precepts of the New Public Management (NPM). NPM promotes the adoption of new models and approaches to federalism in order to reform public sector organizations and promote intergovernmental partnerships both within and across governments. Building on the neoliberal economic reform agenda and public demands for greater efficiency, effectiveness and accountability in government, the NPM agenda called for a “well-oiled” intergovernmental machinery that would appear seamless to the citizen/customer. Part of this agenda was a perception that there was some serious duplication in federal systems and that reductions in this duplication would make businesses more competitive in the global marketplace and save government and taxpayer’s dollars. Pressure was on public sector organizations and managers to work more collaboratively, both vertically and horizontally, to improve service delivery.

The impact of public sector reform in federal countries is clearly evident at the international level. In the late 1990s, the Public Management Service of the OECD began articulating these goals and developments with a focused research agenda in terms of implications for institutional arrangements, accountability and best-practices comparatively (OECD 1997, 1999). The emphasis of this analysis was on joint administration of programs and projects between different levels of government, where accountability is shared. The OECD reported that joint partnerships that take the form of “joint project or program management between levels of government imply the establishment of joint institutions” and the cross jurisdictional case studies indicated that many countries were introducing innovations on this front (OECD 1999:7). Some countries were explicitly adopting intergovernmental reforms along-side other public sector reform initiatives. The US and Australia, for example, have initiated specific intergovernmental reforms as part of broader public sector reform agendas and the scholarly literature in both of these countries reflects these developments.

Schechter argued in the early 1980s that both reform and research on IGR and IGM in the US had been extended under the “gospel of efficiency” (Schechter 1981). He described these two compatible systems as the natural extension and resuscitating elements of the twin commitment to federalism and managerialism in a time of scarcity, both of resources and leadership. The push to decentralize federalism and defer policy and administrative leadership to US states under Ronald Reagan’s leadership and the decision by the Clinton administration to dismantle intergovernmental institutions like the US Advisory Committee on Intergovernmental Relations seemed to indicate an erosion of a federal commitment to intergovernmental relations in favour of more state and local autonomy. Combined with the goals of the National Performance Review to improve the delivery of intergovernmental programs through performance outcomes (ACIR 1996a), it was clear
the US approach was significantly impacted by NPM principles and values. The scholarly literature in the 80s and 90s reflected these developments with new models of intergovernmental administrative interaction and literature on intergovernmental and inter-organizational networks (O’Toole 1988, 1997, Kickert 1997). There has also been considerable research on IGR and IGM in specific US policy areas with inherent intergovernmental challenges such as agricultural policy and environmental policy (Smith 1995; May 1996; Loffler et.al.1999); analysis of significant intergovernmental successes in areas such as disaster management (May 1986); and analysis of unfunded mandates in several policy areas (ACIR, 1996b).

In Australia, public sector reform has witnessed the tension between the managerialist views of making jurisdictional responsibilities clearer in the name of efficiency and effectiveness and collaborating to achieve common goals. In the 1990s, the key question of how to allocate roles and responsibilities between governments was redefined not as a political or constitutional one, but as a managerial one of how best to deliver public services (Painter 1998). This managerialist approach to central-subnational relations was being advanced by the political leadership as well. However, as Painter has outlined, the approach ignored the “constitutional logic” of Australian federalism, the growing reality of shared roles and responsibilities in many policy areas and the adversarial and competitive dynamic of the politics of Australian federalism (Painter 1998). Although central agency managers were supportive of this approach to reform, Painter outlines how line department officials and client-focused state officials were strongly in favour of continued entanglement.

Comparatively, intergovernmental administrative reform in Canada has been less of a political priority, less central to the public sector reform agendas of the federal and provincial governments and less of a research priority in Canadian public administration. This may be explained by the fact that the Canadian approach to public sector reform has been documented as comparatively slow and less comprehensive (Aucoin 1995) or perhaps by the fact that the integration of explicit intergovernmental goals in public sector reform initiatives has been less evident and strategic in Canada (Johns, Inwood, O’Reilly 2001, 2002, 2004). The scholarly interest in the relationship between federalism and the administrative state in Canada has not paralleled the interest in the US and Australia in the 1990s. Scholarly work on intergovernmental administrative relations at the IGR and IGM levels has not received the same attention. Unlike the US with its emphasis on the problem solving and practical workings of the federal system, any such emphasis in Canada has been upstaged in the scholarly literature by the significant events that have flowed from the politics of executive federalism. There are however some interesting parallels with the scholarly literature in Australia where the goals of NPM seem to be overshadowed by the tensions of executive federalism at the political level. Although not a recent research focus in Canada, analysis of the intergovernmental administrative state in Canada did flourish in the 1970s and 80s and there have been some insightful observations related to the changing character of executive federalism and the general implications for the Canadian administrative state.
The Evolution of Canadian Intergovernmental Relations

With the growth of the intergovernmental institutions and interactions at both levels of government in the 1970s and 80s, there was a proliferation of research and scholarly writing on intergovernmental relations and public administration (Smiley 1974, 1979, 1980, Doerr 1982) the intergovernmental machinery (Wollstencroft 1983; Pollard 1986), fiscal federalism and intergovernmental officials (Warhurst 1986) during this period. Strides were made in terms of theory and empirical analysis. During this period, critics like Donald Smiley argued that intergovernmental affairs agencies and intergovernmental specialists had exacerbated and even produced intergovernmental conflict (Smiley 1974, 113) based on their primary role of protecting and extending the powers of their respective jurisdictions (Smiley 1979, 109-110). The criticism was in large part based on concerns that the period of federalism embodied in the cooperative model which characterized intergovernmental relations and the role of officials in the post-war to early 1970s, was being replaced by a more conflictual and competitive model as the powers of the provinces and the significance of executive federalism grew (Kernaghan and Siegel 1999, 474).

Increasing analysis focused on the emerging model of intergovernmental relations involving program specialists in intergovernmental relations units, central agencies and finance departments who were permitted to exercise a large measure of autonomy in meeting intergovernmental objectives (Smiley 1974). These intergovernmental generalists were thought to be an important factor in eroding a period of cooperation, which was based on cooperative relations between program officials in departments who participated in cost-shared programs. Smiley argued that "programmatic goals" that were dominant in cooperative federalism had been taken over by "expedient goals" under executive federalism that were political in character (Smiley 1974).

There has been limited subsequent empirical advancement of these models in the Canadian intergovernmental relations literature. Despite some interest in intergovernmental issues and management related to the competitiveness agenda, and as part of the research effort under the Macdonald Commission on the economic union, research on the structures, processes and participants in the administrative sphere began to wane by the late 1980s. Although research continued on the constitutional, fiscal and policy aspects of federalism, the research on intergovernmental administrative machinery witnessed a decline.

Despite an emerging consensus by the mid 1990s that Canada was witnessing serious stalemate on the constitutional front and a shift towards a preference for nonconstitutional approaches which were more decentralized and administrative in character, the research agenda on IGR and IGM did not regain momentum. The increasing belief that "considerable capacity for accommodation lies within administrative decentralization" (Cameron 1994) was not being matched by scholarly research. Academic research regarding the implications of NPM for intergovernmental relations in the 1990s tended to examine the rationale and factors associated with rethinking government, rethinking federalism and characterizing the different models of federalism emerging to address new and enduring political challenges. Indeed two distinct
approaches are evident in the past decade: a period when debts, deficits, NPM and efficiency goals seemed to be the key drivers of intergovernmental collaboration and innovation between the federal and provincial governments and a period in the late 1990s when the federal government’s surplus and policy effectiveness imperatives seemed to become the primary drivers of collaboration and innovation.

**Trends in Canadian Intergovernmental Administrative Relations in the Past Decade**

In 1993 the federal Chretien Liberals were elected on a platform of putting constitutional issues aside in order to focus on the economy. Although discontent with federalism in the province of Quebec was alive and well, the Chretien government preferred to take a non-constitutional approach to demonstrate, particularly to Quebeckers, that federalism works. Despite the lasting impact of several rounds of attempted constitutional reform, and the close results of the Quebec Referendum in 1995, there was a general shift away from political approaches to an administrative focus. According to Cameron and Simeon, federalism entered a period of collaborative federalism where intergovernmental relations became a partnership between equals whereby the federal and provincial governments began searching for collective solutions to the challenges faced in the increasing number of policy areas where their responsibilities overlapped (Cameron and Simeon 2000). Fuelled by globalization, the preoccupation with debts and deficits by all governments and public sector reform agendas under the values of New Public Management, this period of federalism has been characterized by greater cooperation and harmonization at the administrative level.

Although the intergovernmental emphasis of public sector reform was weak in Canada compared to other OECD countries, there was growing activity. With the new impetus to rationalize public service delivery in Canada in the early 1990s the degree of decentralization that had occurred in the federation in the previous decade was well documented and the implications of fiscal restraint for further decentralization was identified as an area of concern requiring further research by practitioners and public administration scholars (Cameron 1994). Key initiatives such as the push for the use of bilateral and multilateral agreements under the 1994 Efficiency of the Federation Initiative (Kernaghan and Seigel 1999, 472) initiated at a first ministers meeting in 1993 were aimed at improving intergovernmental relations in line with the goals and values of NPM. As stated by the federal Clerk of the Privy Council in her annual report to the Prime Minister, under this initiative “federal and provincial levels of governments are co-operating on an ongoing basis in order to increase administrative efficiencies and improve client service, to harmonize procedures and regulations, and to reduce both costs and unnecessary overlap and duplication” (Canada, 1995). By 1995, the Clerk reported that multilateral and bilateral action plans, which included items aimed at improving program and service delivery in virtually all sectors, had been signed with most provinces and territories.

In the federal governments’ wide-ranging Program Review exercise in the mid-1990s, among the six key questions of the review was the “Federalism Test” which asked: “Is
the current role of the federal government appropriate, or is the program a candidate for realignment with the provinces?” Given the emphasis of the "intergovernmental test" on clarifying federal and provincial roles, there seemed to be two approaches in these two initiatives – one to disentangle federal and provincial responsibilities in the name of addressing duplication, and one to work more collaboratively to share resources in a context of fiscal restraint.

By the mid-1990s the “expedient” political goals discussed by Smiley were displaced by the imperatives of debts and deficits and the public service reform agendas of both the federal and provincial governments. Within the context of the ongoing debate about the implications of NPM, there was a renewed interest in the role of intergovernmental relations in the area of policy implementation and service delivery as a result of the principles associated with partnerships and alternative service delivery (Dobell and Bernier 1996, 1997) and collaborative government (Delacourt and Lenihan 1999) yet very little examination of the implications of such change for the Canadian administrative state (Tupper 1996; Johns et.al. 2001).

In addition to expenditure cuts across the federal public service, the priority of economic competitiveness and eliminating the deficit, resulted in the Chretien government’s decision to significantly reduce and restructure transfer payments to the provinces. In its 1995 budget, the federal government introduced the Canada Health and Social Transfer (CHST). Federal funding for post-secondary education, health and social assistance were combined in one unconditional block grant and cut significantly. This decision fundamentally altered federal-provincial relations and signaled a retreat in the federal leadership role in social policy (Boismenu and Graefe 2004).

Combined with similar downsizing initiatives at the provincial level, the importance of IGR and IGM did surface in relation to the emerging issue of policy capacity (Anderson 1996). Defined as "the capacity to promote cooperation across the range of organizations that have an interest in the policy area" and by the ability to work across conventional boundaries and functional definitions of policies (Peters 1996), it is not surprising that this issue brought the implications of public sector reform to the attention of executives in the public service. In addition to the general concern that governments at all three levels in the Canadian federation had lost policy capacity with the downsizing and restructuring of the period, there was a particular concern that this was very critical in a time when governments should be building horizontal and vertical policy capacity.

The 1995 federal Deputy Minister Task Force on Strengthening Policy Capacity discussed the issue of policy capacity specifically in the intergovernmental context. In the task force report, policy capacity outside the federal bureaucracy is divided into two sections. The first discussed the broader policy research community and the second discussed "policy collaboration" with the provinces (Canada: Strengthening Policy Capacity, 1995). The report states:

"Our institutions for cooperative federal-provincial policy are weak. It is something of a paradox that we operate within far more structured institutional arrangements for cooperative policy work with many of our international partners than we do within
Based on a review of sixteen case studies of policy cooperation in intergovernmental relations and management conducted by Intergovernmental Affairs in the Privy Council Office, the findings section of the task force report concluded that "collaborative policy work with the provinces is a major issue requiring attention" and indicated a “need for more attention to the practical working arrangements between federal and provincial departments”.

By 1997, the federal government was no longer struggling with a deficit and the first year of budget surpluses began to change the politics of intergovernmental relations. The Institute of Intergovernmental Relations State of the Federation 1997 suggested that developments in many policy areas such as internal trade, social policy, environment and First Nations governance indicated that governments were working together on a non-hierarchical basis in a way which reflected increasing interdependence (Lazar 1998). However, unilateral spending decisions by Ottawa and its increasing tendency to use its post-deficit spending power to make transfers directly to Canadians, irritated already poor federal-provincial relations. At a minimum the provinces wanted to ensure they were consulted on such decisions and that the rules of the game were transparent to all parties.

In 1999, with Quebec dissenting, the Social Union Framework Agreement (SUFA) was signed by the federal government, nine provincial governments and the two existing territorial governments. To help overcome past tensions and address future challenges, SUFA provides a framework that “is based upon mutual respect between orders of government and a willingness to work more closely together to meet the needs of Canadians”. Although SUFA applies specifically to social policies and programs, the principles of SUFA are applicable to all policy areas and the document itself espouses values and principles designed to foster efficient, effective and citizen-focused public service delivery. Despite the fact that SUFA emphasizes many of the values associated with the new public management approach, with considerable emphasis on setting performance standards, monitoring best efforts, and reducing intergovernmental barriers for seamless delivery of services to Canadians (Cameron and Simeon, 2002 in Dunn), the implications of SUFA are questionable. Although a key provision sets out conditions for limiting the use of the federal spending power (Gagnon and Segal, 2000), whether the principles and values of SUFA become embedded into Canadian federalism depends on the extent to which the norms and values in the document become internalized in the minds of officials and ministers who participate in the process (Cameron and Simeon, 2002, 293).

By the end of the 1990s, the primacy of NPM was embraced by every Canadian government (Simeon 1997, 86). The public sector reform agenda created pressures in federal systems for different levels of government to work together to improve efficiency and develop a customer orientation in service delivery. The emerging emphasis on government information and communication technologies and public service delivery in the late 1990s, also stimulated analysis of the potential role of intergovernmental partnerships and their ability to coordinate efforts and promote access to government
information and services in Canada.

Since 2000 first ministers meetings have focused overwhelmingly on the issue of health care funding with some conflict and tension stemming from the Kyoto protocol. In September 2000, the federal and provincial governments signed a health accord whereby the federal government agreed to increase transfers under the CHST for health care. Since that time the provinces have lobbied for increased transfers, given the annual federal surpluses and debate related to the “vertical fiscal imbalance”. The federal government’s continuing budget surpluses have resulted in charges from the provinces that the federal government’s large capacity to generate revenues is not matched to the fact that provinces have constitutional responsibility for the largest expenditure items. The provinces demand that this imbalance be righted, while the federal government continues to deny such an imbalance exists and argues that provincial government political decisions related to expenditure cuts and tax cuts are partially to blame.

In addition to the pressures for federal and provincial governments to work together in the name of improving service delivery, there have been some general trends in the Canadian federal system under the Chretien government that would seem to foster intergovernmental innovation at the administrative level. Among the more important developments has been the shift in intergovernmental focus from constitutional reform to non-constitutional bargaining (Lazar 1998), as well as the restructuring of fiscal federalism (Lazar 2000). In addition, the incorporation of new information and communication technologies into service delivery functions of agencies with intergovernmental functions (Gibbons 2000) and the facilitation of citizen participation and consultation into intergovernmental forums (Seidle 2000) have been identified as elements of institutional innovation.

There has been some interesting analysis of how some principles of NPM are at odds with the new "collaborative model" of federalism as defined through administrative and financial arrangements (Cameron and Simeon 2000). Intergovernmental collaboration in the name of efficiency would seem to contradict another frequently expressed goal, that of improving efficiency through disentanglement and reducing duplication. Nonetheless, Simeon and others have concluded that overall, new approaches to "making federalism work" are consistent with many elements of NPM. Both value decentralization, less emphasis on formal rules and arrangements, more emphasis on flexible agreements and informal approaches in the context of greater fiscal restraint and efficiency (Simeon 1997). Both also look to institutional innovation to improve the workings of federalism, policy and service delivery.

What emerges from this review of developments in Canadian federalism in the past decade are two distinct periods in which intergovernmental innovation can be analyzed. The mid to late 1990s was a period when many governments were focused on debts and deficits. Several important intergovernmental policy and administrative agreements were signed during this period with efficiency goals and clear NPM influences. The past five years has witnessed a drastically different climate and context as the federal government began to generate budget surpluses which fundamentally changed intergovernmental
relations. If one views restraint as a stimulus for innovation then one would expect to see more intergovernmental innovation in the deficit context and less innovation in the federal post-deficit context (recognizing that many provincial governments continue to struggle financially).

Also there are a number of factors not necessarily associated with NPM which may have had an impact on the degree of intergovernmental innovation in the Canadian administrative state. Significant developments such as the move in the late 1990s away from the preoccupation with constitutional reform are said to have opened the space for non-constitutional innovation and collaboration. Other factors in the past five years including the federal budget surplus, more trust and faith in public servants, rebuilding of policy capacity at federal and provincial levels, the implementation state of intergovernmental agreements, more technological capacity, and a general cultural awareness of the importance of working horizontally and vertically in the public sector to improve policy outcomes all indicate the climate should have been ripe for intergovernmental innovation in the past decade. A review of intergovernmental innovation in the Canadian administrative state reveals that despite this context, intergovernmental innovation in the context of executive federalism has faced a number of challenges which have weakened its overall capacity.

**Intergovernmental Institutional Innovation in Canada**

Innovation has the potential to play out at a number of different levels in the Canadian federal system: the federal-provincial level, the intergovernmental ministry or central agency level, between intergovernmental units within line departments and at the program and project level through networks of intergovernmental officials and more informal institutional arrangements. In addition, institutional innovation ranges from formal structural change (through legislative change, formal accountability arrangements, etc.) to more informal institutional innovations (informal administrative arrangements, communication networks and relationships of officials). The opportunities and challenges related to improving intergovernmental policy and service delivery varies for each of these levels.

For purposes of this analysis, a conceptual framework building on Wright’s distinction between federalism, intergovernmental relations (IGR) and intergovernmental management (IGM) allows for differentiated analysis on the basis of institutions, functions, actors and goals. Using this distinction as a starting point, there are six possible levels of analysis where institutional innovation can be examined in the Canadian intergovernmental administrative state: 1) the joint institutional level where federal and provincial governments create joint administrative organizations to pursue joint policy, regulatory or service delivery roles; 2) the federal level - restructuring of existing federal institutions and new agency arrangements to formally incorporate intergovernmental actors, decision makers and managers into federal organizations; 3) innovations related to the traditional intergovernmental administrative machinery – agencies, intergovernmental interactions of senior officials 4) innovation related to the formal institutional arrangements and implementation approaches in specific policy areas; 5)
intergovernmental partnership agreements and; 6) innovation through informal institutional arrangements and relations between officials.

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**Joint Federal-Provincial-Territorial Agencies**

In terms of determining where to look for institutional innovation, based on the initiatives in other federal countries, the logical starting point is at the macro level with joint institutional innovations – institutions set up to develop or implement public policy. Such institutions would be established by both levels of government jointly; be multilateral or bilateral; have joint accountability relationships to federal-provincial-territorial ministers, cabinets or legislatures; and be resourced and staffed jointly. The governance, accountability and management arrangements in this category of joint agencies could take many forms. For example, a joint agency could employ public officials accountable to a joint committee or executive who in turn would be accountable to their respective ministers, cabinets and legislatures under existing Westminster-style governments in Canada.

The institutional possibility of joint agencies and provisions for such agencies are not new ideas. For example, there are provisions for the creation of joint agencies in Part II of the 1970 Canada Water Act. Yet despite the legislative scope for such agencies, no such agencies have been created to manage water resources or other important areas where both governments increasingly find they are engaged. Even in constitutionally shared jurisdictions like agriculture and immigration such agencies do not exist. The institutional option of joint agencies has not been a popular choice in the Canadian federation to date. This is not surprising in a decentralized federal system like Canada’s, where political and administrative accountability are centralized under the Westminster parliamentary system of government and the politics of executive federalism is increasingly adversarial. In addition to the challenge of political accountability, such agencies may be vulnerable to changes in priorities and changes in government. In addition, there has been a general adversity to new agencies, particularly those perceived
as adding another bureaucratic layer.

One recent institutional innovation in the area of health care may fit this approach. The creation of a National Health Council in 2004 is one example of an attempt to create a new joint intergovernmental institution to grapple with health care funding and restructuring issues. After a considerable amount of arm-twisting and monetary incentives from the federal government, a national body has been set up to collect information, monitor and report on the 2003 Health Ministers Accord on Health Care Renewal – particularly its accountability and transparency provisions. It is too early to assess the effectiveness of this body but interviews indicate that it is seen by many provincial officials (as politicians) as over-bearingly federal, a fact which led to two provinces opting out and which may well influence its ability to function in a cooperative manner. Even more issue-specific joint initiatives such as joint reporting agreements related to pharmaceutical regulation have had difficulty gaining and maintaining provincial support in the health policy areas. The recently developed public health agency was supposed to have been a joint agency, but failed to become one despite pressure brought about by crises such as SARS and blood management in Canada. Crises per se do not appear to be enough to facilitate intergovernmental institutional innovation.

The establishment of joint agencies, as defined above, face some significant challenges in the Canadian federal system. Many of the challenges stem from the general accountability and legitimacy challenges of executive federalism itself – a closed system with many powerful vested interests. In addition, there are a number of other challenges such innovations must overcome. Despite the efficiency and effectiveness pressures of late, there has been a general adversity to new agencies, particularly those perceived as just adding another bureaucratic layer. Culturally these types of institutions are foreign to Canadians and the political demand for such innovations has been weak; a fear of federal domination of such forums seems to predominate. The more suitable alternative given this historical-institutional context has been some form of restructured federal agencies and sectoral intergovernmental secretariats.

**Restructured Federal Agencies**

In the late 1990s, there were some examples where the federal government tried to incorporate intergovernmental institutional features into the design of new or restructured federal agencies. The intergovernmental organizational features and the decision making rules are different in each case. In terms of multilateral intergovernmental organizations, the Canada Food Inspection Agency, the Canada Customs and Revenue Agency and the Canada Pension Plan Investment Board are some examples.

In 1996 the federal government announced its intention to create a single food inspection agency and its desire to "work with interested provinces to move towards the development of an agency that is truly national in scope and mandate" (Dobell and Bernier 1997, 259). The impetus for creating this new agency was influenced by
intergovernmental committees interested in harmonization and coordination activities and also by alternative service delivery and partnership approaches being promoted at the federal and provincial levels. These interests did result in discussions related to intergovernmental features in the design of the organization. Although the institutional design emphasized horizontal integration by consolidating inspectorate activities previously housed in several different federal government departments (Agriculture and Agri-Food Canada, Health Canada, Department of Fisheries and Oceans and Industry Canada), clauses 20 and 21 of the Canadian Food Inspection Act authorized the minister to enter into agreements with one or more provinces to provide agency services in common with those governments. Provision was also made to implement such agreements, jointly with one or more provincial governments. The minister may also create a corporation incorporated under federal or provincial statute or acquire shares to participate in an intergovernmental corporation (Dobell and Bernier 1997, 260).

Although the design held promise to move an intergovernmental partnership forward at the time (Moore and Skogstad 1998) a more recent analysis indicates that there has not been much progress or innovative institutional change in the Canada Food Inspection Agency (Prince 2000).

In 1999, the restructuring of Revenue Canada into the Canada Customs and Revenue Agency took these ideas one step further. The Canada Customs and Revenue Agency was established under similar ministerial accountability relationships where the agency is accountable to the federal Minister of Revenue, but incorporated intergovernmental representation on its Board of Management. The Board of Management consists of 15 members appointed by the Governor in Council, 11 are nominated by the provinces and territories (CCRA 2003). The operational role of this new management structure and the implications in terms of improve tax policy and tax collection remains a question (Johns et.al. 2002). Despite the fact that some provinces have signed tax collection agreements for the collection of sales tax with the federal government and all provinces, except Quebec, continue to have the federal Canada Customs and Revenue Agency collect their taxes, Quebec and Alberta led the way in withdrawing from the integrated federal-provincial income tax system. All the provinces soon followed and provincial income taxes are calculated directly based on individual citizen’s incomes rather than being a percentage of federal income tax. The collaborative and innovative implications of the new intergovernmental management structure are therefore not clear.

The Canada Pension Plan Investment Board was conceived as a result of a public review of the Canada Pension Plan in 1996 growing out of a concern that the plan lacked sufficient assets to meet long-term demographic realities. The review was commissioned by federal and provincial finance ministers to ensure that the national pension plan would be affordable and available to Canadians for generations to come. As a result of the public review, in 1997, the finance ministers agreed to raise contribution rates to levels that will generate funds in excess of those required to pay pensions until at least 2021. To ensure that the funds will earn maximum returns until they are needed, the ministers created the CPP Investment Board, an independent investment corporation, to invest the excess contributions and the proceeds from maturing bonds held by the Canada Pension Plan.
The CPP Investment Board is a crown corporation created as part of 1997 reforms designed to ensure the soundness and sustainability of the CPP. The Board is accountable to the federal minister of Finance who agrees to consult with the appropriate provincial Ministers of Finance in the participating provinces before making any recommendation to the federal Cabinet with respect to the appointment of directors. The CPP Investment Board operates under similar investment rules as other pension plans in Canada, which require the prudent management of pension plan assets in the interests of plan contributors and beneficiaries. The decision making rules operate under the premise that any major decisions related to the management of the fund will have input from a provincially representative board and have political accountability to the respective Ministers of Finance. In practice, the Board operates as a typical crown corporation, at arms-length from ministers. Interviews with finance officials indicate that the intergovernmental operations of the CCP Investment Board function mainly at the higher level where decision rules related to major changes in direction or investments require intergovernmental consensus and approval; but they do not function as well at the board level.

In addition to these examples of restructured federal agencies with intergovernmental features, forums of intergovernmental interaction have developed at this level. For example, federal regional councils were created about twenty years ago as forums for federal regional officials in the provinces to share information and improve coordination of regional economic development initiatives in the early 1980s (Julliet 2000). As voluntary, varied organizations across the country, some officials have reported that these organizations have the potential to contribute to policy and management capacity and innovation, particularly in some policy areas, as some have voluntary representation of senior provincial officials. Institutional arrangements like these have some interesting potential as innovative intergovernmental forums.

Although opportunities exist in several policy areas for joint agency structures and restructuring of existing federal agencies with significant intergovernmental mandates, the challenge of constitutional jurisdiction, accountability in the Westminster model and the general hesitancy in creating new bureaucratic organizations has resulted in limited innovation on this front as well. The additional challenge that restructured federal agencies face is that they are viewed by the provinces and territories as federally dominated institutions with weak intergovernmental powers and political accountabilities.

**Intergovernmental Ministries and Central Agencies**

In addition to the institutional experimentation with joint and restructured agencies, the other arena where one would logically look for institutional innovation in Canadian federalism is the existing intergovernmental bureaucratic machinery between each level of government. The institutional landscape of executive federalism remains the cornerstone of intergovernmental administrative relations in Canada. The machinery for
intergovernmental administrative relations in Canada involves a number of structures, processes and participants. Traditionally the network of institutional arrangements at the IGR level includes separate departments at the federal and provincial levels, units within departments with intergovernmental mandates, and a large number of intergovernmental committees (Kernaghan and Seigel 1999). Federal-provincial-territorial meetings covering all fields of governmental activity remain important parts of the intergovernmental machinery (Dion, 2000), and arguably forums for innovation and sharing of bilateral and multilateral best practices.

Traditional intergovernmental agency structures vary widely across Canada (Pollard 1986) and this variation has increased in the 1990s (Johns et.al. 2004b). Given the wide variety in structures, functions, financial resources and manpower, there is no “Canadian way” of organizing for intergovernmental affairs. Since the late 1980s, most intergovernmental agencies in Canada have undergone numerous restructuring initiatives in an environment of fiscal restraint. For example, intergovernmental expenditures in the provinces of Alberta and Ontario were hit the hardest with declines in expenditure of 39.6% and 52.9% respectively from 1990-2002 (Johns et.al. 2004b). Nonetheless, comparatively these provinces continue to have the highest expenditures compared to other provinces. Other intergovernmental departments and agencies were not hit by public sector downsizing and cost-cutting. Some such as Nova Scotia and Saskatchewan have in fact seen their expenditures actually increase quite significantly over the period we examined (John et.al. 2004b). Most jurisdictions have not witnessed major changes in their budget expenditures over the past decade – particularly in comparison to the degree of cuts in the broader public sector during this period (Inwood, Johns and O’Reilly 2004a). Perhaps, the relative stability in expenditures and employment levels across most jurisdictions stems from the fact that intergovernmental affairs departments and agencies have historically never been large – most averaging under 100 employees – unlike many line departments.

The overall findings of a comprehensive review of mandates, business plans, and budgets for intergovernmental affairs departments and agencies across Canada indicate that there has not been much change in the basic management and operations of these organizations over the past ten years. What the data does reveal is that there is a large degree of variation at the provincial level. Despite the fact that many provinces have been advocating re-definitions of federalism, IGR and IGM (Ontario 2000), interviews with provincial intergovernmental officials reveal that the impetus for new approaches, intergovernmental partnerships and intergovernmental machinery varies by province. This variation in capacity at the IGR level indicates that the capacity for innovation varies considerably between the federal and provincial governments and between the provinces.

In our survey of intergovernmental officials and in interviews, officials indicate that to have a full picture of the implications of public sector reform and innovation related to the intergovernmental administrative machinery in Canada, an examination of the role of intergovernmental units in finance departments in fostering or inhibiting innovation is also centrally important. Elite interviews have revealed that in addition to restructuring
Intergovernmental affairs departments and central agencies virtually all governments have delegated additional intergovernmental responsibilities to their finance departments. Finance departments typically contain a division or branch that fulfills the lead role in intergovernmental fiscal matters. Given the increasing importance and complexity of fiscal federalism in Canada, there is some evidence that the power and intergovernmental role of finance departments has increased during the past decade.

Interviews with intergovernmental specialists across the country indicate that finance departments have played both an inhibiting and enhancing role in fostering intergovernmental collaboration and innovation. Given the federal government's decision to restructure transfers for health care and social service funding under the CHST and the shift to unconditional block transfers, arguably there is less incentive for the provinces to collaborate and innovate. However, in interviews the role of finance ministries related to new fiscal and tax agreements have been cited as indicators of the positive innovative role that finance departments can play in intergovernmental relations files. There have been some arrangements such as harmonization of sales tax systems and reforms to taxation collection agreements between Ottawa and the provinces that indicate some level of restructuring of existing institutional arrangements to accommodate intergovernmental mandates related to intergovernmental tax machinery. In interviews with officials, the National Child Benefit case has frequently been cited as a positive intergovernmental innovation using the tax infrastructure for implementation. We have also hypothesized that a subset of intergovernmental specialists in finance, many of whom are economists, may theoretically be more sympathetic to the principles and values of NPM (Inwood, Johns and O’Reilly 2004) and therefore may play a more pivotal role in promoting institutional and process innovation based on the goals of NPM. More recently however, the role of finance departments in the ongoing “vertical fiscal imbalance” and equalization formulae debates and high profile conflict over the funding of health care indicates these ministries and officials have hindered cooperation and innovation.

In summary, it is evident that although there has been some intergovernmental innovation, the world of traditional intergovernmental administrative agencies has for most part been a “business as usual” story. Data from interviews reveals that the implications of these changes in machinery have had some specific implications for intergovernmental innovations in specific policy areas. However, the roles and responsibilities of intergovernmental generalists has not changed as a result of public sector reform and these traditional intergovernmental institutions have not witnessed much in the way of institutional or process innovation.

Some of the reasons cited in elite interviews indicate that because these institutions are so close to the politics-administration interface, they have become focused on high level strategizing and “turf” issues rather than the functional cooperation of existing policy imperatives and the rhetoric of public sector reform in the name of efficiency, effectiveness and responsiveness. Although intergovernmental ministries and central agencies have undergone some restructuring, and in some jurisdictions downsizing, in the past decade, interviews indicate these units use traditional intergovernmental tools and are generally guardians of process at the politic-administrative interface rather than
sources of intergovernmental innovation. At best they play a facilitating role depending on the will of their political and administrative leaders and their capacity. Indeed, innovation may threaten the control central agency units and actors have traditionally played in the intergovernmental process.

In terms of finance ministries, there were some examples such as the National Child Benefit where finance officials contributed to intergovernmental innovation but more often they were characterized as presenting a challenge to innovation coming from line departments. In general, central agency-line department relations, capacity of central agencies, interface with political leadership and the focus on process rather than outcomes were cited as the reasons intergovernmental ministries and finance ministries have not been the sources and proponents of intergovernmental innovation. More scope for innovation seems to exist at the sectoral, program and service delivery levels.

**Sectoral Intergovernmental Innovations**

In addition to the recent experimentation with a joint agency in the form of the Canada Health Council and attempts to restructure federal agencies to incorporate intergovernmental mandates, institutional arrangements have existed for some time to develop policy and manage intergovernmental relations in specific policy areas. In several policy areas such as labour market training and immigration, Ottawa began movements toward a more decentralized model in the mid 1990s. With the increasing importance of non-constitutional approaches in intergovernmental relations in many policy areas, intergovernmental innovation related to new bilateral and multi-lateral agreements deserves particular attention. Although intergovernmental agreements lack any legal status, they are the result of interactions occurring at the IGR level in over 20 councils of ministers (e.g. health, finance, social services, agriculture, environment etc.) and an elaborate substructure of mirror deputy-minister councils, assistant deputy minister committees and technical sub-committees (Brown 2003,4). Each policy area also has associated implementation machinery where implementation and IGM play out through traditional departments and ministries and each exhibits distinct opportunities and challenges in terms of institutional innovation.

As one of the longest standing intergovernmental secretariats established in the 1960s, the Canadian Council of Ministers of the Environment (CCME) has had a formalized commitment to joint action on environmental issues since 1991(Simmons 2004, 292) and since 1998 has had the mandate of facilitating the implementation of the Canada-Wide Accord on Environmental Harmonization. The council is supported by a secretariat which is funded through an established funding formula and is supported by a Deputy Minister’s committee, a series of steering committees and a management committee (Simmons 2004). In terms of institutional innovation, the accord itself has been criticized as being a watered-down version of an earlier framework to pursue national environmental standards (Fafard and Harrison 2000) and interviews indicate CCME is viewed both as an innovative institutional model and as a limit on institutional innovation. With the signing of the Accord there was some fear that as the institution
evolved that it would become another layer of bureaucracy. Some provinces such as Ontario and Alberta questioned the role of the secretariat and preferred to implement the accord through their existing bureaucratic agencies. Implementation of the Accord has therefore primarily taken place through bilateral sub-agreements with CCME playing a role in oversight and reporting. The sub-agreement process in itself could be viewed as innovative and it has generated a number of bilateral implementation agreements in the areas of inspections, assessment and regulatory standards for toxic substances but the capacity of CCME to innovate on a more multilateral basis has been limited.

The multilateral Agreement on Internal Trade (AIT) signed in 1995 is pointed to as one of the first indicators of a shift to collaborative federalism (Cameron and Simeon, 2000). The AIT was designed to reduce internal trade barriers and facilitate the movement of goods, services and personnel between jurisdictions. With regard to trade, the AIT established a formal secretariat to administer the agreement and a formal dispute resolution process. While there has been some innovation with regard to new trade rules the secretariat has mainly institutionalized the status quo in terms of inter-provincial trade relations (Inwood, 2003). Nonetheless, as MacDonald points out “The AIT signifies a new environment in which institutional process plays a key role in defining how the trade-offs between increasing economic integration are weighed against jurisdiction and individual sovereignty within the federation” (MacDonald, 2002, 140). The formal intergovernmental agreements facilitated by the AIT have also been supported by more informal intergovernmental innovations resulting from Team Canada trade missions where first ministers and senior officials traveled together to strengthen trade relations with many countries around the world.

The National Child Benefit (NCB) has been cited by many of the officials we interviewed as the most innovative development at this level. Stemming from an inter-provincial initiative, the federal government paved the way for this intergovernmental program through the budget and tax process rather than through an intergovernmental agreement. The Federal-Provincial-Territorial First Ministers Responsible for Social Services has facilitated the development, implementation and monitoring of this program. Despite the fact that institutional innovation was seemingly more organic in this policy area and used the tax system rather than transfers as the primary implementation tool, there is evidence that “the lack of established supports, traditions, and procedures in the federal-provincial-territorial ministers of social services forum and within the NCB working group created flexibility that encouraged rather than inhibited policy innovation” (Simmons 2004, 303).

The Social Union Framework Agreement (SUFA) signed in 1999 has generated the most debate in terms of whether it has fostered a new era in intergovernmental relations and innovation in social policy. In June 2003 the Federal/Provincial/Territorial Ministerial Council on Social Policy Renewal, charged with the responsibility to conduct the three year review of SUFA reported that SUFA “continues to provide a useful framework for governments in their efforts to respond to the social needs of Canadians”. Based on consultations with various social policy groups, aboriginal organisations and citizens, the Council noted the enduring importance of SUFA and progress in particular policy areas
such as labour mobility, health reporting, and early childhood development but called on all governments to improve its implementation. The significance of the principles and values of SUFA outside the world of social policy remain questionable. Elite interviews indicate that intergovernmental and policy officials have mixed views of whether SUFA has had any impact in terms of improving relations or institutional innovation. While examples are highlighted in some policy areas at the IGM level, there is a general consensus that SUFA has not resulted in institutional innovation at the IGR level. Many cited the lack of progress in terms of a dispute resolution mechanism and facilitation of public participation as particular areas where SUFA has not fostered innovation.

In health there has been considerable opposition to federal-provincial institutional innovation. Major reports on health policy restructuring from both the federal and provincial governments have been viewed as politically biased - usually on the public vs. private funding question. The new national health council discussed earlier may prove to be innovative but may well run up against the same political challenges that have hindered innovation to date. Officials claim some successes at the programmatic level, for example health care reporting and drug utilization programs.

There was a general consensus in interviews that formalized secretariat structures do not necessarily increase capacity for innovation at the sectoral level. In some policy areas such as environment, the high level of institutionalization was viewed by some as inhibiting innovation and capacity building. Comparison of environment, forestry and the NCB cases also indicates that the level of institutionalization is not necessarily a precondition for institutional innovation and in fact institutionalization is perhaps the outcome of cooperation on different levels rather than a precursor to it (Simmons 2004, 306). Although there has been some innovation at the multilateral level measured by the number of intergovernmental agreements signed since the mid 1990s, the potential for innovation related to these agreements plays out when these agreements are implemented by jurisdictions through multilateral and bilateral agreements often in the form of partnership agreements at the departmental and service delivery levels.

Intergovernmental institutional arrangements at the sectoral level have existed for decades in the Canadian administrative state. In the past decade there has been a growing use of intergovernmental agreements implemented through existing bureaucratic machinery at each level of government with oversight provided by intergovernmental secretariats, Deputy Minister committees and typically annual meetings of Ministers. Multilateral agreements and intergovernmental secretariats themselves are not institutional innovations in the arena of executive federalism. These institutions face some traditional challenges. The first challenge at the sectoral level is moving beyond the signed political document and maintaining momentum during the implementation stage. Other challenges include maintaining a coordinated effort which is not fragmented by opt outs and bilateral approaches; maintaining leadership; and maintaining commitment, legitimacy and resources from all levels of government. In order to assess the degree to which such sectoral agreements and intergovernmental secretariats contribute to intergovernmental innovation, it is necessary to examine the more micro level at which their mandates are implemented.
Intergovernmental Partnership Agreements

Partnerships have become one of the most popular forms of public sector innovation, and are usually adopted as an alternative mechanism for program and service delivery and to a lesser extent policy development. As a rule, partnerships involve the sharing of risks, rewards and resources between the partners. Generally speaking, there are four types of partnerships (Kernaghan et.al. 2000). A collaborative partnership is characterized by the sharing of real decision-making power between the partners; an operational partnership is characterized by a sharing of work rather than power; a contributory partnership is characterized by the provision of funds or other means of sponsorship by one party for an activity in which it will have little operational involvement; and a consultative partnership is where public organizations solicit advice from individuals, other governments, groups and organizations outside of government usually to inform public policy. In the past many intergovernmental partnerships in Canada took the form of contributory partnerships, or what the OECD has called “joint production” or “joint investment” partnerships but there is some evidence that operational partnerships have contributed to institutional innovation as well.

Intergovernmental cost-sharing arrangements and intergovernmental partnerships are not a new development in Canada. While the 1990s witnessed several new multilateral intergovernmental agreements, which can be viewed as the umbrellas under which a variety of intergovernmental partnerships and service level agreements have flourished, federal-provincial and inter-provincial partnership agreements now exist in most policy areas. They have existed for some time in constitutionally shared policy areas like agriculture and immigration and they also exist in the increasing number of policy areas where provincial governments have exclusive constitutional authority such as health, education, and natural resources. Intergovernmental partnerships have been used as vehicles for governments to harmonize policy between different jurisdictions, reduce overlap and duplication, solve problems that require joint initiative, and expand service quality. For example, Part II of the Employment Insurance Act permits provinces and territories to design and deliver their own labour market programmes through partnership agreements with the Minister of Human Resources Development Canada (Canada 1997). Others are emerging in new areas of shared governance responsibilities such as homelessness, sports policy and aboriginal governance. There are numerous examples of intergovernmental partnerships which vary in their degree of formality. Service level agreements and information sharing agreements in particular have been linked with intergovernmental institutional innovation.

In 1998-99, the intergovernmental Citizen-Centred Service Network (CCSN) released a series of reports, tools, and recommendations aimed at improving citizen satisfaction with public-sector service delivery in Canada including: Citizens First: a national survey of citizen expectations, satisfaction levels, and priorities for service improvement; a common measurements tool; and a database highlighting good practice in service delivery. In 2000, federal, provincial, and territorial representatives of the Public Sector
Service Delivery Council agreed to establish the Institute of Citizen Centred Service (ICCS) as an ongoing centre of expertise in citizen-centred service. Supported by the Public Sector Chief Information Officers Council and incubated by the Institute of Public Administration of Canada, the ICCS is a partnership initiative between all levels of government in Canada with a specific information sharing mandate linked to the improvement of citizen satisfaction with public-sector service delivery (ICCS http://iccs-isac.org/eng, 2004).

One major reason for the proliferation of intergovernmental partnerships in recent years is the burgeoning adoption of new information technologies in the public sector. The continued emphasis on using information and communication technologies to facilitate intergovernmental cooperation is also being reinforced by citizen-centred approaches (Dobell and Bernier 1996, 1997; Cameron and Simeon in Savoie 2000). In the June 1999 Speech from the Throne entitled, “Building a Higher Quality Life for All Canadians”, the federal government resolved to:

...become a model user of information technology and the Internet. By 2004, our goal is to be known around the world as the government most connected to its citizens, with Canadians able to access all government information and services on-line at the time and place of their choosing.

In support of this plan, the federal government introduced the Government On-line (GOL) initiative in October 1999. As part of the GOL initiative, federal departments and agencies have been robustly experimenting with new information technologies in an effort to improve their public services. Provincial governments have also launched similar initiatives. The Canadian Government's On-Line Initiative is a testament to this public service wide challenge. (Canada Intergov Study, 1996) Another example is the Intergovernmental On-Line Information Kiosk (www.intergov.gc.ca). The move to embrace information technology in the public sector has spawned numerous intergovernmental partnerships across many policy sectors.

One award winning example is the Canadian Consumer Information Gateway (CCIG) [http://consumerinformation.ca] spearheaded by Industry Canada’s Office of Consumer Affairs which was one of ten finalists in the Commonwealth Association for Public Administration and Management’s Innovation Awards Program in 2002. This portal provides single-window access to consumer information from a partnership between more than 400 federal and provincial/territorial government departments and agencies, as well as 150 non-governmental organisations.

Given the allocation of goods, services and finances between the two orders of government it is not surprising that partnership and service-level agreements are an important aspect of federalism. They exist at the interface between IGR and IGM and there are a variety of reasons why these agreements have proliferated and fostered institutional innovation. Although not well documented empirically, federal-provincial partnerships based on service-level agreements should not be viewed as trivial. This level
often generates policy and program innovations which in turn lead to institutional innovations as institutional arrangements are established to implement, monitor and report on agreements.

Although methodologically difficult to study and quantify, intergovernmental innovation which incorporates vertical, horizontal and often public participation networks seems to hold significant potential. However, the opportunities for innovation at this level are significantly impacted by mandates and legislative scope for action, capacities of the public service organizations involved, technological capacity and the significant role of interpersonal relations.

Informal Institutional Arrangements & the Role of Public Servants in Intergovernmental Innovation

In addition to the formal institutional responses to macro level changes in federalism and public sector reform pressures outlined above, there is increasing recognition that intergovernmental business in the federation is also conducted through informal “pre-structural” relations which vary in degrees of institutionalization and transparency, and which place emphasis on decision making rather than implementation (Cameron 2000). In terms of institutional arrangements, examples here include numerous ad hoc or project-based intergovernmental committees and forums (sometimes including municipalities and first nations) and informal networks of officials. The complexity and informality of intergovernmental networks, and institutionalized mechanisms of interaction at this level make assessment of intergovernmental innovation difficult, however there is evidence that this level of analysis is significant in the assessment of the degree of intergovernmental innovation in the Canadian administrative state.

Donald Smiley argued in the 1970s that the “personalized fabric” of intergovernmental relations was a significant factor underpinning collaboration. Our interviews reveal these informal relations are also a significant determinant of intergovernmental policy capacity and the capacity to innovate. Simmons notes a decline in deputy ministers meetings in the 1990s (Simmons 2004; Bakvis and Skogstad 2002) may simply reflect “a shift away from formalized meetings (which mirrored first ministers meetings in the past) towards more informal contact through conference calls and the like” (Simmons 2004, 290). Our interviews with officials indicate that intergovernmental meetings and interactions of officials at the IGR and IGM level is increasing. This trend towards informal interactions has reportedly been enhanced by the interaction of committees at the Assistant Deputy Minister level and by a wide ranging number of technical intergovernmental committees. The use of email and the internet was also reported in interviews as a significant factor in increased interaction between officials. There is also evidence that inter-provincial interaction has increased even more than FPT activity during this period (Meekison 2004; Simmons 2004). Interviews with intergovernmental officials indicate that inter-provincial innovation may be occurring as different individual provinces or clusters of provinces take the policy research lead on different intergovernmental files.

The backgrounds of intergovernmental officials who work on these files may go some way in
explaining institutional innovation, or lack thereof, in the Canadian intergovernmental administrative relations (Inwood, Johns, O’Reilly, 2004a). There are basically two types of intergovernmental officials in the Canadian federal system – intergovernmental generalists and intergovernmental specialists. Generalists tend to work in intergovernmental affairs departments and central agency units, specialists work in intergovernmental units within line departments. Our survey and interviews included both of these types. The evidence suggests that the generalists that work in intergovernmental departments and central agencies are less likely to be the champions of institutional innovation.

The fact that generalists are primarily guardians of process related to the meetings, negotiations and political goals of executive federalism suggests that they are not focused on policy and program outcomes like their counterparts in line departments. Elite interviews with intergovernmental specialists in intergovernmental units outside of these ministries indicate that they are not the source of intergovernmental innovation as they are still focused on processes such as administering intergovernmental functions and supporting their governments, rather than on outcomes such as fostering innovation and promoting principles of NPM. When asked how the role of intergovernmental relations officials had changed over time, one senior public servant noted that intergovernmental officials in central agencies are "old in their thinking" and tend to focus on process matters rather than substantive policy issues and innovative management approaches. This finding that intergovernmental innovation is more likely driven by intergovernmental specialists in line departments is not a new observation. Donald Smiley observed that program specialists are more likely to share common norms, values and clients related to a given policy field and that relations at the sectoral level, rather than at or near the summit level, will be more successful (Smiley 1979).

However despite this divide, there has been a reported increase in the interactions between intergovernmental ministries and central agencies and their department-based counterparts and our data indicated they are comparatively a very homogenous group of public servants. In interviews, many officials noted more frequent and sustained contacts between central agency and line department officials, particularly with finance officials. One official in a line department reported that intergovernmental work has “gone from a postal box kind of service to greater emphasis on working in partnerships and collaboration with a focus on improving results for Canadians”. The increased horizontal interactions of intergovernmental officials is also evident from the survey. When asked if interactions with other ministries/agencies in their governments had increased, decreased or not changed, 73% reported an increase and none of the respondents indicated a decrease (Inwood, Johns, O’Reilly 2004a). Survey results also indicate that intergovernmental officials are a remarkably homogeneous group. They are overwhelmingly white male career public servants with predominantly social science backgrounds and most with policy and program management backgrounds. This homogeneity may be an advantage in building the interpersonal bridges often required for innovation. But it might also be a disadvantage in the creation of new ideas.
Another important factor reported to impact the capacity to innovate was the tenure of intergovernmental officials at the IGR and IGM levels. The majority of this cadre of officials are career public servants with an average of 17 years experience in the public service. However, the majority (56%) had been in intergovernmental relations for less than five years, indicating a high level of turnover of personnel (Inwood, Johns, O’Reilly 2004a). In interviews with intergovernmental officials, the complaint was made that the rapid turnover of officials, particularly at the deputy minister level, impedes the capacity of the system overall and undermines innovation. Data collected on eight jurisdictions indicates the tenure of deputy ministers in intergovernmental affairs portfolios range from as much as 12 years to as low as 8 months from 1990-2002. The average tenure ranged from 1.3 years in Nova Scotia to 12 years in Manitoba during this period (Johns, Inwood and O’Reilly 2004b). The significance of tenure of officials in specific policy areas has been related to cooperation (Smiley 1974) and communities where the key actors have been around for some time and know each other have been identified as a key advantage in implementing innovation across agency lines (Bardach 1998, 2004).

Interviews also indicate that individual leadership in intergovernmental relations and in specific policy areas is an important contributing factor to policy capacity and innovation. The link between leadership and institutional innovation (Doig 1997) has been reported repeatedly in our interviews with intergovernmental officials and has been documented as a key factor in innovations such as the National Child Benefit (Armour and Senchuk, 2002). There is also some evidence that leaders and public servants in general have been encouraged to think, act and innovate intergovernmentally.

There have been some public service wide initiatives and proponents who have attempted to diffuse an intergovernmental approach across the public service. These initiatives attempt to comprehensively integrate intergovernmental approaches into all aspects of public sector management. This approach focuses more on process and organizational development as opposed to development or restructuring of intergovernmental machinery. Organizations such as the Canadian Centre for Management Development (CCMD), and federal and provincial Auditors General have attempted to institutionalize intergovernmental approaches in the name of improving efficiency and service delivery.

CCMD attempted to do this through communication and organisational learning. In 2000, an Action Research Roundtable on the Implementation of the Social Union Framework Agreement (SUFA) was established to examine the implications of SUFA for the federal public service. Roundtable members included federal public servants, provincial public servants, academics and members from Canadian think-tanks. Although the Roundtable recognized that SUFA applies specifically to social policies and programs, the spirit of the agreement and implications for intergovernmental relations and management resulted in a report that was designed for all public servants with specific case studies drawn from social policy and other program areas (Canada, CCMD, 2001). The federal government has also attempted to institutionalize a more public service wide and networked approach to policy research through the Policy Research Initiative and subsequent secretariat (Bakvis 2000) although the intergovernmental dimension of this initiative was weak.
The other proponent of intergovernmental innovation in the name of efficiency and value for money management has been the Office of the Auditor General of Canada. Throughout the 1990s reports from the AG have been concerned with perceived duplication and overlap in policy areas such as economic development, taxation, regulation and inspections. For example, the federal Commissioner of the Environment and Sustainable Development has repeatedly called for improvements in cooperation between federal, provincial and territorial governments. In his 2000 report the need for intergovernmental cooperation and joint management was a central theme (Canada, Office of the Auditor General 2000).

The degree to which there is a cultural shift taking place in the public service as a result of these initiatives is debatable. However, due to the fact that a greater proportion of a public managers' time is caught up in handling the interdependencies between their organizations and others (Kettl 1996) it is not surprising that innovation in public administration has been linked to intergovernmental collaboration. Not only do managers now operate within their home agency and jurisdiction, they also perform numerous activities within the vertical realm and the horizontal realm (Agranoff 2001, 672). To the manager, the federal system is a field of interorganizational complexity but it also has the potential to foster intergovernmental innovation through interpersonal networks, institutional innovations on the sectoral level and at the more macro level through the intergovernmental administrative machinery. Intergovernmental innovation may therefore take place increasingly through a network model (Agranoff and McGuire 2001) where collaboration is both vertical and horizontal, involving both IGR and IGM levels, and state and societal policy and service delivery actors.

In summary, the informal interactions and networks of officials engaged in intergovernmental work is increasing. Although there are challenges in terms of innovation at this level such as political and legislative mandates, resources, turnover of officials and an adversarial culture fostered by executive federalism, there are also many opportunities for innovation at this level. Some of the key challenges such as accountability which hinder innovation at higher levels of IGR are transformed into more administrative and peer accountability frameworks at this level of IGM.

**Conclusion**

Comparatively, the administrative state in Canada has responded differently to the pressure of NPM and changes in the politics of executive federalism in the past decade. Despite pressures on both of these fronts for intergovernmental innovation, opportunities and challenges exist at all levels and vary by policy area. Federalism, IGR and IGM are levels of intergovernmental interaction which present different opportunities and challenges related to intergovernmental innovation. The argument presented in this paper is that as one moves from the micro world of administrative relations to the macro realm of IGR and federalism a hierarchy of challenges and limitations is revealed. However, innovation at the micro levels can only go so far given the constraints and challenges as the level of the game moves closer to the political realm.
The most significant challenges in terms of institutional innovation seem to exist at the level of executive federalism. Despite the principles and values espoused in SUFA, some institutional innovation at the political level inter-provincially with the creation of the Council of the Federation in 2003, and the hope stemming from the leadership of a new Prime Minister and several new Premiers, the politics at the level of executive federalism still appears to create considerable barriers to innovation. The debate over the “vertical fiscal imbalance” and the mistrust stemming from several acts of federal unilateralism also present a challenge for innovation at the administrative level. These developments will have enduring implications for innovation at the administrative level.

At the level of IGR, this review indicates there has also been limited innovation. For instance, innovation in the area of joint agencies and restructuring federal agencies to incorporate intergovernmental goals is very limited. This is not surprising given the accountability challenges associated with innovation at this level and the fact that there are very limited political benefits and potential political risks from these efforts. The bureaucratic machinery developed to support executive federalism in the 1960s and 70s has evolved very little. At this level of IGR, intergovernmental relations is still traditional in structure, process-oriented and performed in the high politics context of executive federalism. Innovation in the machinery at this level is limited by concerns about accountability and dividing up political rewards and errors. The focus on ministerial meetings and the centrality of communications is also a challenge. This seems to be compounded by the general adversarial culture in which officials at this level operate in a general culture of “naming, blaming and shaming” rather than problem solving (Thomas 2004).

Overall, a combination of formal and informal interactions framed around a kind of bargaining mentality still prevails in the world of IGR in which the key actors are strongly defensive about their own “turf”. It is still very process-oriented and focused on managing relationships in the political context and less focused on restructuring and institutional innovation for performance and service delivery goals associated with NPM and more recently policy effectiveness. There is also relatively little evidence that officials in IGR roles are focused on outcomes or citizen participation, or other precepts of the NPM as readily as other public servants, perhaps as a result of feeling less affected by budgetary and personnel cutbacks. However, there is more evidence of innovation, collaboration and networking at the program level which is highly variable by policy area. At the sectoral level, the high variation of existing institutional arrangements and the limited transferability of innovations between policy sectors indicates the challenge of making generalizations about innovation at this level.

Elite interviews indicate that the implications of public sector reform and thus innovation have played out more at the "micro" level in intergovernmental units within departments than at the intergovernmental agency and first minister level. Specific projects involving vertical and horizontal cooperation were frequently cited as indicating instances where resource reductions, shared technologies and facilities had fostered intergovernmental
collaboration. Partnerships and innovation may be easier at this level as less complex and political relationships are involved. This is consistent with cross-national OECD findings that "intergovernmental partnerships that involve policies rather than single projects or specific programs have much more complex relationships" (OECD 1999, 6). However, there is very little empirical evidence related to intergovernmental partnerships and the project level making it difficult to quantify the scale of innovation.

At the IGM level, technology and project based initiatives in many policy areas seem to present opportunities for innovation. Expertise and networks of intergovernmental specialists seem to foster opportunities for innovation but informal institutional arrangements and relations face the challenge of not being sustainable given their dependence on interpersonal relationships and individual leaders in different policy areas. Innovation is thus adversely affected by turnover from the technical level to the deputy minister level. It is also noteworthy that some interesting potential seems to be developing at the IGR and IGM levels with regard to inter-provincial capacity and niche strategies.

This multi-level analysis is consistent with findings published in a study by the Institute of Public Administration in Australia entitled Working Together - Integrated Governance which found that while there are various government levels at which integration of policy and service delivery can take place, success at different levels is interdependent. The study also found that there are a variety of conditions, factors and barriers which impact intergovernmental innovation such as leadership capacity, policy commitment, resource commitment and commitment to stakeholder consultation. The barriers identified were the political cycle, public attitudes and political accountability. Finally, the report highlights the importance of recognizing opportunities and barriers.

This analysis would add that in addition to the intergovernmental innovations which take the form of formal institutional innovations, it is important to analyze the less formal institutional arrangements which exist and foster intergovernmental innovation and the interpersonal relationships which underpin these informal arrangements. Clearly, the factors identified at each level of the Canadian intergovernmental administrative state present both challenges and opportunities for intergovernmental innovation. These challenges and opportunities at the IGR and IGM levels need to be understood in the broader contexts of public sector reform and developments at the political level of federalism in Canada.

It is possible to speculate that since NPM reforms were to a large part inspired by the politics of debts and deficits, and as those pressures have eased as of late, the motivational factors behind new collaborative models of intergovernmental relations and pressure for innovation have eased as well. For instance, if tight budgets and "doing more with less" meant that governments were essentially forced to collaborate for cost saving and efficiency reasons, but now there is "more to do more with", perhaps the underpinning rationale of NPM has been undermined. Nonetheless, the policy imperatives and administrative goals of governments at both levels indicates the pressures for intergovernmental innovation will continue. Given the increasing interdependence of policy areas, the fiscal position of the federal government and the fact
that Canadians desire the governments to work more closely together (particularly in certain policy areas) there are still significant pressures for additional intergovernmental innovation at the administrative level.

At the level of federalism, although Canadian governments do not have well developed machinery for making collective decisions and the constitutional and legal basis of intergovernmental bodies is limited (Brown 2003), the Canadian federal system does provide considerable scope for institutional innovation at the administrative level. A clear shift away from constitutional negotiations in the mid 1990s was also a significant development in Canadian federalism that may have contributed to administrative innovation in the past five years. Intergovernmental officials, in intergovernmental ministries, central agencies and specialists in line departments have been able to innovate to varying degrees despite the serious conflicts and accountability challenges at the political level. Pressure for more open, democratic and participatory processes may also present significant opportunities for innovation at the administrative level. Understanding the different challenges and opportunities that exist at each level of the administrative hierarchy in the Canadian federal system, the importance of both formal and informal institutional innovations and the variations by policy area and jurisdictions, may allow both public servants and political leaders to find creative solutions to the many critical policy and administrative challenges facing the Canadian federal system.
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3 For the purposes of this research, intergovernmental specialists are defined as those unelected public sector officials who spend the majority of their working hours on intergovernmental issues. This definition was used as the basis of generating a sample of intergovernmental specialists for the survey and interviews. Several sources were reviewed for intergovernmental officials who worked in IGR ministries, IGR units in central agencies and IGR specialists in: health, environment, trade and finance.

4 The OECD outlines four types of intergovernmental partnerships in federal systems: (1) "joint production partnerships" are defined as those intergovernmental partnerships that focus on the provision of technical services such as property management, infrastructure and joint utilities where each member government covers a certain portion of the total costs of service provision; (2) "common resource partnerships" are defined as those intergovernmental arrangements that deal with the management of common resources such as natural resources and environmental management; (3) "joint investment partnerships" are defined as intergovernmental investment projects for the creation of infrastructure; and (4) "performance partnerships" between different levels of government are described as those partnerships where roles, responsibilities and risks as well as performance expectations are specified in performance contracts. These partnerships can involve joint reporting and evaluations and elements of this type can be integrated with the other three types.

5 In an annual public opinion survey Portraits of Canada conducted by Centre for Research and Information on Canada (CRIC – www.cric.ca) only 42% of Canadians think the federal and provincial governments are working well together. A clear majority, 70% think that both levels of government are to blame for conflicts over resources, healthcare and other issues and over 80% feel that the two levels of government are too slow at making needed changes.