

**Conditional Grants to Independent Foundations: The Emergence and
Evolution of a Federal Policy Instrument in Canada**

by

Helen Smiley, B.A., M.A

**A thesis submitted to the Faculty of Graduate and Post Doctoral Affairs
in partial fulfillment of the requirements for the degree of**

Doctor of Philosophy

School of Public Policy and Administration

Carleton University

Ottawa, Ontario

© 2012

Helen Smiley



Library and Archives
Canada

Published Heritage
Branch

395 Wellington Street
Ottawa ON K1A 0N4
Canada

Bibliothèque et
Archives Canada

Direction du
Patrimoine de l'édition

395, rue Wellington
Ottawa ON K1A 0N4
Canada

Your file Votre référence

ISBN: 978-0-494-89318-0

Our file Notre référence

ISBN: 978-0-494-89318-0

NOTICE:

The author has granted a non-exclusive license allowing Library and Archives Canada to reproduce, publish, archive, preserve, conserve, communicate to the public by telecommunication or on the Internet, loan, distribute and sell theses worldwide, for commercial or non-commercial purposes, in microform, paper, electronic and/or any other formats.

The author retains copyright ownership and moral rights in this thesis. Neither the thesis nor substantial extracts from it may be printed or otherwise reproduced without the author's permission.

AVIS:

L'auteur a accordé une licence non exclusive permettant à la Bibliothèque et Archives Canada de reproduire, publier, archiver, sauvegarder, conserver, transmettre au public par télécommunication ou par l'Internet, prêter, distribuer et vendre des thèses partout dans le monde, à des fins commerciales ou autres, sur support microforme, papier, électronique et/ou autres formats.

L'auteur conserve la propriété du droit d'auteur et des droits moraux qui protègent cette thèse. Ni la thèse ni des extraits substantiels de celle-ci ne doivent être imprimés ou autrement reproduits sans son autorisation.

In compliance with the Canadian Privacy Act some supporting forms may have been removed from this thesis.

While these forms may be included in the document page count, their removal does not represent any loss of content from the thesis.

Conformément à la loi canadienne sur la protection de la vie privée, quelques formulaires secondaires ont été enlevés de cette thèse.

Bien que ces formulaires aient inclus dans la pagination, il n'y aura aucun contenu manquant.

Canada

ABSTRACT

This dissertation examines a unique policy instrument, independent foundations, and the process of instrument choice, through case studies of the Canada Foundation for Innovation, Canada Health Infoway, and the Canadian Council on Learning. Using a modified version of Salamon's new governance framework, it analyzes the instrument choice decision, focusing on decision-makers' assessment of the instrument based on the characteristics of the instrument, as well as the influence of neoinstitutional factors and implementation challenges.

The research finds that the characteristics of independence and multi-year funding are particularly important to the emergence of the instrument due to the policy context of better than anticipated government finances and a desire to avoid future financial pressures. More surprisingly, limited consideration was given to the characteristic of automaticity while low visibility was seen as a positive rather than a negative attribute. Similarly, equity was not a particular concern in the instances where the instrument was implemented while the characteristics of the instrument contributed political feasibility and legitimacy to federal actions in areas of shared or provincial jurisdiction. More generally, the results of this dissertation highlight the importance of applying a neoinstitutional approach to the analysis of instrument choice decisions. Context and policy instruments are temporal. Rather than being static, instruments evolve and new instruments are created through innovations. Researchers must incorporate the potential for innovation and change as well as the specificity of context into their analysis rather than assuming a standard set of criteria and objectives.

ACKNOWLEDGEMENTS

I would like to thank my supervisor, Professor Les Pal, who saw the potential of the topic of this dissertation and encouraged me to pursue it at a time when I was very hesitant. Throughout the course of my research and writing, he provided a mix of challenging objectives, constructive criticism and positive reinforcement that encouraged me towards the successful completion of this work. I would also like to thank the other two members of my committee, Professor Allan Maslove and Professor Robert Shepherd, who provided critical expertise and valuable insight to strengthen this research, particularly at the proposal stage.

The completion of a dissertation on a part-time basis is a drawn out process and I would like to thank my family for their love and support throughout this process – my husband, Donald Smiley, who always insisted that I would finish and my children for whom I was so often “working on her paper”. I would also like to express my gratitude to all the anonymous individuals who took the time to participate in an interview and to share their knowledge. Their contributions were invaluable to this research and I was always struck by their willingness to give of their time and their insight.

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION	1
Conditional Grants to Independent Foundations: A New Policy Instrument	1
The Research Question	5
The Research Approach	6
Hypothesis.....	9
Assessment of Dimensions	9
Neoinstitutional Factors	12
Challenges.....	13
Research Contribution.....	14
Methodology	17
The Literature Review	18
Primary and Secondary Documents.....	18
Interviews.....	20
Ethical Considerations	21
Case Studies	21
Format of the Dissertation.....	28
CHAPTER 2: LITERATURE REVIEW AND THEORETICAL FRAMEWORK... 31	31
Introduction.....	31
Policy Instrument Literature	32
Typologies.....	33
Instrument Choice.....	34
Salamon’s New Governance Framework for the Analysis of Policy Instruments ...	44
Theoretical Framework for Analyzing Foundations.....	49
Hypothesis.....	63
Criteria, Instrument Characteristics and Salamon’s Dimensions.....	63
Neoinstitutionalism and Systemic Context.....	66
Challenges, Implementation Issues and Policy Learning	69
Summary	72
Conclusion	74

CHAPTER 3: INDEPENDENT FOUNDATIONS	76
Introduction.....	76
Independent Foundations and Other Forms of Government Organizations	76
Government Organizations, New Public Management and the International Context.	86
Alternative Mechanisms: Third Party Trusts and Program-Specific Transfers.....	91
Evolving Federal Policy on Foundations.....	100
Overview of Existing Foundations	115
Conclusion	126
CHAPTER 4: CANADA FOUNDATION FOR INNOVATION	129
Introduction.....	129
Vision and Consultations	130
Structure, Funding and Activities	144
Performance and Accountability.....	154
CFI: The Independent Foundation Instrument Choice	160
Summary	173
Conclusion	177
CHAPTER 5: CANADA HEALTH INFOWAY	179
Introduction.....	179
Vision and Consultations	179
Structure, Mandate and Activities.....	190
Performance and Accountability.....	203
Infoway: The Independent Foundation Instrument Choice	209
Summary	219
Conclusion	224
CHAPTER 6: CANADIAN COUNCIL ON LEARNING	227
Introduction.....	227
Vision and Consultations	228
Creation, Governance, Operations and Accountability	237
Structure, Mandate and Activities.....	246
Performance	250
CCL: The Independent Foundation Instrument Choice.....	252

Summary	267
Conclusion	271
CHAPTER 7: CONCLUSION.....	272
Introduction.....	272
Main Research Findings.....	276
Criteria and Dimensions.....	276
Challenges, Implementation Issues and Policy Learning	286
Contributions of the Research.....	293
REFERENCE LIST	300
APPENDIX A: INTERVIEW QUESTIONS.....	319
APPENDIX B: LETTERS OF INFORMATION AND CONSENT.....	323
APPENDIX C: OVERVIEW OF ORGANIZATIONS IN RECEIPT OF CONDITIONAL GRANTS (IN EXCESS OF \$10 MILLION) BY DEPARTMENT 327	
APPENDIX D: THE PUBLIC INTEREST TEST QUESTIONS.....	357
APPENDIX E: TREASURY BOARD SECRETARIAT DIRECTIVE ON TRANSFER PAYMENTS, 2008 (APPENDIX H)	359

LIST OF TABLES

Table 1	Assessment of the Dimensions of Foundations	12
Table 2	Distribution of Interviews	20
Table 3	The New Governance Paradigm	42
Table 4	Assessment of Criteria Against Increases in the Four Dimensions	48
Table 5	Assessment of the Dimensions of Foundations	73
Table 6	Federal Approaches to Program and Service Delivery	85
Table 7	Evolution of Elaboration of Federal Policy on Foundations	113
Table 8	Summary of Foundations by Responsible Department	118
Table 9	Committed and Projected Funding Amounts (\$M) 1998-2012	158
Table 10	Assessment of the Dimensions of CFI.....	175
Table 11	Assessment of the Dimensions of Infoway.....	222
Table 12	Proposed Vision for the CLI	233
Table 13	Assessment of the Dimensions of CCL	269
Table 14	Assessment of the Dimensions of Foundations	275

TABLE OF FIGURES

Figure 1 Theoretical Framework for Assessment of Foundation Policy Instrument.....	55
Figure 2 Opportunities for Program Delivery Alternatives	91
Figure 3 Timeline of Major Reviews of Foundations and Government Responses	101
Figure 4 OAG Framework for New Governance Arrangements.....	106
Figure 5 Canada Health Infoway Governance Structure	191
Figure 6 Theoretical Framework for Assessement of Foundation Policy Instrument...	273

LIST OF APPENDICES

APPENDIX A: INTERVIEW QUESTIONS..... 319

APPENDIX B: LETTERS OF INFORMATION AND CONSENT..... 323

**APPENDIX C: OVERVIEW OF ORGANIZATIONS IN RECEIPT OF
CONDITIONAL GRANTS (IN EXCESS OF \$10 MILLION) BY DEPARTMENT 327**

APPENDIX D: THE PUBLIC INTEREST TEST QUESTIONS..... 357

**APPENDIX E: TREASURY BOARD SECRETARIAT DIRECTIVE ON
TRANSFER PAYMENTS, 2008 (APPENDIX H) 359**

ABBREVIATIONS

ACHI	Advisory Council on Health Infostructure
AG	Auditor General
AHF	Aboriginal Healing Foundation
ASD	Alternative Service Delivery
ATI	Access to Information
AUCC	Association of Universities and Colleges of Canada
CAUT	Canadian Association of University Teachers CCL Canadian Council on Learning
CCL	Canadian Council on Learning
CFCAS	Canadian Foundation for Climate and Atmospheric Sciences
CFI	Canada Foundation for Innovation (CFI)
CHSRF	Canadian Health Sciences Research Foundation
CIHI	Canadian Institute for Health Information
CLI	Canadian Learning Institute
CLS	Canadian Lightsource
CHSRF	Canadian Health Services Research Foundation
CMEC	Council of Ministers of Education, Canada
CMSF	Canada Millennium Scholarship Foundation
CYBF	Canadian Youth Business Fund
DoF	Department of Finance
DPR	Departmental Performance Reports
EHR	Electronic Health Record
EMR	Electronic Medical Record

FCM	Federation of Canadian Municipalities
GIC	Governor in Council
GMF	Green Municipal Fund
GTF	Gas Tax Fund
HRDC	Human Resources Development Canada
HRSD	Human Resources and Skills Development Canada
IIP	Infrastructure for Innovation Program
NAAF	National Aboriginal Achievement Foundation
NCES	National Consortium of Scientific and Educational Societies
NHS	National Health Service
NPM	New Public Management
OAG	Office of the Auditor General
PPR	Project Progress Reports
PSAB	Public Sector Accounting Board
RPP	Reports on Plans and Priorities
TBS	Treasury Board Secretariat
TPP	Transfer Payment Policy

CHAPTER 1: INTRODUCTION

Conditional Grants to Independent Foundations: A New Policy Instrument

In 1997, the Government of Canada provided \$800 million in funding to the Canada Foundation for Innovation (CFI). An independent foundation established through federal legislation and operating at arm's length from government, the CFI was mandated to strengthen the capacity of Canadian universities, colleges, research hospitals, and non-profit research institutions to carry out world-class research and technology development that benefits Canadians by funding research infrastructure.

The endowment to the CFI heralded the inaugural use of a new policy instrument¹ that provides up-front multi-year funding or a "conditional grant" to an independent, not-for-profit organization or "foundation"² operating at arm's length from government to achieve federal policy objectives (OAG, 2005, p. 1). Foundations are third party organizations created either through legislation or the *Canada Corporations Act*³ (OAG, 2005, p. 1) and governed by a board of directors with expertise and experience in the

¹ A conditional grant was provided to the Canadian Health Services Research Foundation in 1996 in the amount of \$66.5 million, but this funding was provided to the organization in installments over five years and had a much lower profile than that of the CFI.

² The term foundation is used throughout this document to refer to independent, not-for-profit organizations in receipt of multi-year conditional grant funding from the federal government.

³ One conditional grant recipient, the Clayoquot Biosphere Trust is provincially incorporated in British Columbia.

domain of the foundation. Some directors, although always a minority, may be appointed by the federal government (OAG, 2002, p. 8).⁴

Treasury Board Secretariat (TBS) defines conditional grants as “transfer payments specifically approved by Parliament and made available to an organization at the beginning of a multi-year period, in the form of a lump sum, to cover expenses over a number of years” (TBS, 2006b). The conditional grant provided to foundations is a lump sum that is granted either in perpetuity or to be disbursed, along with any interest earned, over a prescribed number of years.

Parameters for the use of the grant are governed by a funding agreement between the government and the organization. The “funding agreements establish the objectives, governance and accountability requirements, and terms and conditions for the use of the transferred funds” (TBS, 2007b). However, the terms of the funding agreement cannot be so prescriptive that they are seen to infringe upon the independence of the organization, as this would contribute to a determination of federal control of the organization.

The introduction of conditional grants to foundations constitutes a major break from traditional government practices in three areas: the accounting treatment of the federal funding provided to the foundation; the extent of the delegation of ministerial responsibility to an independent third party for the achievement of federal policy objectives; and the limited accountability associated with the use of public funds (Aucoin, 2003). This new mechanism permitted the government to transfer funding to the recipient organization and to record the transfer in the accounts of Canada in the year

⁴ Should the federal government be responsible for the appointment of a majority of the organization’s board members, it would lead to a determination that the foundation was controlled by the federal government.

that the transfer was made even though the majority of the money would not be spent on its final purpose, the policy objectives, for several years. As a result, the government was able to use the mechanism to fund identified priorities, reduce its fiscal balance at year-end and avoid future pressures on federal finances. As originally conceived, foundations were also largely independent of ministerial direction and control (Aucoin, 2006). While the funding agreements establish some parameters for the use of the federal funding, particularly in the initial years of the mechanism's implementation, ministers had little ability to intervene in the foundations' activities during the term of the agreement. In turn, the independence of foundations limits their accountability. Although the grants to foundations are included in the main or supplementary estimates in the year in which they are provided, due to the up-front multi-year nature of the funding mechanism, conditional grants to foundations bypass the standard Parliamentary process of yearly review and approval of spending through the mechanism of annual appropriations. As pointed out by the Office of the Auditor General (OAG), foundations differ from more traditional mechanisms by placing public money outside of Parliament's control (OAG, 2002). While there are other types of non-departmental forms which operate at "arm's length" from ministers and the government in Canada, foundations are a unique combination of autonomy, multi-year funding and limited accountability (Aucoin, 2003, p. 4).

Although some attributes of the foundation instrument constituted significant innovations, this new instrument also aligned with the broader trends occurring in public administration at the time of its creation, specifically those advocated by New Public Management (NPM) (Aucoin, 2006). This theory of public administration, which began in the 1970's, initiated an international trend of public sector reform that "encompassed

the privatization, or at least the commercialization, of public enterprises; increased contracting out of public services; an expansion of user charges for public services; and, more generally, a wide variety of expenditure restraint initiatives” (Aucoin, 1995, pp. 2-3). It also led to an increase in the number and type of non-traditional organizational structures utilized by governments, which in Canada has been closely associated with the phenomenon of Alternative Service Delivery (Borins, 2002). Overseen by the Treasury Board Secretariat of the Government of Canada, “Alternative Service Delivery [ASD] entails the pursuit of new and appropriate organizational forms and arrangements, including partnerships with other levels of government and other sectors, in order to improve the delivery of programs and services” (TBS, 2002, Sec. 2.0).

Following the funding of the CFI, the policy instrument of conditional grants to independent foundations was rapidly replicated. Since their introduction, conditional grants have been used to provide approximately \$12.6 billion in new or renewed funding to approximately 40 organizations operating in a range of sectors that include: health research and information, science and the environment, learning and post-secondary education, policy research and advocacy, business and economic development, governance and redressing racism.

Despite its popularity with federal policy and decision-makers, the OAG publicly criticized what it viewed as the mechanisms' limited accountability, as well as the government's accounting treatment of the mechanism. Largely through the process of responding to this criticism, the government has publicly articulated its policy on the use of the instrument and gradually moved to increase accountability requirements.

Over time, the measures taken by the government to increase accountability have eliminated the financial flexibility the instrument afforded the government and greatly reduced its attractiveness. In fact, with the introduction of the revised Transfer Payment Policy in 2008, the government essentially ended the practice of providing multi-year funding to foundations in advance of need.⁵ Instead, the government may now make a multi-year commitment to the foundation, which is approved by Parliament and becomes a statutory appropriation, but the money remains with the government and is only provided to the foundation on an as needed basis.

The Research Question

This dissertation examines the foundation instrument, its evolution, and the reasons for its selection to address policy problems. More specifically, it asks the question, *"Why did decision-makers choose to use conditional grants to foundations to achieve their policy objectives?"*

The research into this primary question follows two distinct lines of inquiry. The first line is an in-depth examination of the instrument and its evolution or refinement over time. *"What are the characteristics of the instrument and how has it evolved over time?"* The second line of inquiry extends naturally from the first. It is an examination of the instrument choice process. *"What factors led to the decision by policy makers to use conditional grants to foundations?"*

⁵ The government still has some flexibility to provide perpetual endowments and small multi-year payments. However, the 2008 Transfer Payment Policy Directive requires that up-front multi-year funding of \$50 million or more that is not provided as a perpetual endowment be paid as annual payments on the basis of the recipient's cash flow requirements (sec. 6.6.2).

The overarching questions regarding the characteristics of the foundation instrument and the factors influencing its selection are informed through the examination of a number of subsidiary questions, including:

What are the particular strengths and weaknesses of independent foundations that recommended the instrument as a means of achieving identified policy objectives?

- Which characteristics of the instrument were viewed as particularly positive or appropriate to the policy problem being addressed?
- Are there similarities between the policy problems that policy makers were trying to address through the use of this instrument?
- How did understanding and treatment of the instrument change over time?
- How did these changes affect the characteristics of the instrument and the choice of instrument?
- What particular circumstances supported the emergence of this instrument at this point in time?
 - What were the roles and positions of the various players (politicians, bureaucrats and stakeholders) with respect to foundations?
 - Why would bureaucrats want to move public policy functions outside of government?
 - Why was the government willing to place such large sums of money in non-government entities?
 - How did the political and institutional context influence the decision to provide conditional grants to foundations?

The Research Approach

This research is approached through the theoretical lens of instrument choice. This approach considers the characteristics of individual instruments and the process and factors involved in the decision to use a particular policy instrument(s) to address a public policy problem, extending to an examination of other influences such as the actors involved, the policy objectives, the institutional context and the process of policy learning.

While early researchers studying policy instruments were largely concerned with defining and classifying policy instruments, the study of policy instruments has evolved to a more comprehensive examination of the instrument choice process and the context in which it occurs. Moving beyond typologies based on shared characteristics and efforts to theorize the decision making process as the outcome of rational calculations of self-interest (Howlett, 2005, pp. 32-33), work in the field has advanced over time to recognize that ideas, interests, and institutions all play a role in influencing instrument choice decisions (Trebilcock, 2005). This more comprehensive analysis of the instrument choice process is described by Linder and Peters who argue that it is necessary to look not just at the nature and use of various policy instruments, but also at the institutional context, including the culture, values systems and external contacts of the organization in which decision-makers operate (1998, pp. 49-51), and “the systemic context” - its timing and the actors involved (p. 52).

A recent current in the instrument choice research of particular relevance to this dissertation is the recognition that government has moved from policy tools that enable direct government delivery of programs and services to the adoption of new indirect

policy tools that provide programs and services with and through third parties (Salamon, 2002). To deal with the changes brought about by governments' use of third parties, Salamon advocates what he terms a "new governance" approach to the analysis of public administration that recognizes the challenges and opportunities created by governments' increasing reliance on third parties to solve public problems (p. 8). To incorporate the shift from the direct provision of services to indirect provision with and through third parties, Salamon proposes a new framework that uses five criteria to assess policy instruments along four dimensions. Salamon's five criteria for evaluating individual policy tools are: *effectiveness, efficiency, equity, manageability, and legitimacy and political feasibility*. The four dimensions along which tools may be compared and contrasted are *coerciveness, directness, automaticity and visibility*. Salamon's new governance framework also identifies three critical challenges to "third party government": management, accountability and legitimacy.

This dissertation uses a modified version of Salamon's new governance framework to analyze the choice of the foundation policy instrument. This modified framework retains Salamon's five criteria; however, based on the principles identified by the Government of Canada for the use of foundations, *independence* is substituted for Salamon's concept of directness and *external expertise, multi-year funding and leveraging* are added to the other dimensions proposed by Salamon – *coerciveness, automaticity and visibility*. Also, reflecting the fact that knowledge and understanding of the foundation model evolved over time, the concept of *policy learning* is added to the challenges of *management, accountability and legitimacy* that Salamon identifies in relation to policy instruments that utilize third parties. Finally, a neoinstitutional

perspective is explicitly incorporated into the framework. This perspective opens the door to consideration of the broader institutional and systemic context and introduces the concept of bounded rationality in the behavior of individual actors. Based on a recognition of the groups and individuals who influenced the environment in which the foundation mechanism was developed and selected, as well as the advisors and decision-makers themselves, the contextual factors of *public attitudes, stakeholder influence, bureaucratic ideals, political motivations, personal commitment (champion) and policy context* are added to the framework.

Hypothesis

Following the lines of the theoretical framework, decision-makers' assessment of the dimensions of the instrument, as well as the influence of the identified neoinstitutional factors and implementation challenges on the instrument choice decision are hypothesized.

Assessment of Dimensions

It is likely that decision-makers would have expected both the *independence* and *external expertise* of foundations to lead to a high level of effectiveness and efficiency. It is not clear how independence and external expertise would impact equity. With respect to manageability, it would have been recognized that the arm's length nature of the foundation model and the independence of external experts limited ministerial control over spending decisions, making this instrument more difficult to manage than a policy instrument that is implemented directly by a government department. Further, it may also have been felt that both the distancing from government created by the independence

of foundations and the credibility lent by the use of external expertise would provide legitimacy and political feasibility to the activities undertaken by foundations, particularly when these were in areas outside of strict federal jurisdiction.

Effectiveness and efficiency would also be supported by the greater flexibility and certainty afforded to foundations by *multi-year funding*. In contrast, while the budgetary attributes of multi-year funding at first supported legitimacy and political feasibility, it later threatened these same criteria as it came under criticism from various sources.

By drawing in partners and securing additional funding towards the desired policy objectives, *leveraging* would have a positive impact on the assessment for effectiveness and efficiency. It may also positively influence legitimacy and political feasibility by reducing the required investment and the federal presence. The ability to leverage funds would not impact equity although a leveraging requirement would have a negative impact on equity by favouring partners with the capacity to raise additional funds. It is unlikely to have been relevant to the manageability criteria.

Automaticity will vary between different applications of the foundation policy instrument, depending on whether an active organization already existed or a new one was created. Where a new entity must be created, this may have been viewed as increasing effectiveness by allowing the mechanism to be more precisely designed to meet its objectives; however, it would detract from the efficiency of the initiative due to the additional costs involved. The additional investment required should also have a negative impact on legitimacy and feasibility. In contrast, automaticity is not likely to have had an impact on the equity and manageability criteria except as it links to independence.

The low *visibility* of foundations is likely to have had both positive and negative impacts on the assessment of the effectiveness and feasibility and legitimacy of the instrument. Low visibility would be viewed negatively in terms of getting political credit for investments, but could also have positive attributes, for example, providing a less controversial means of achieving federal objectives in an area of provincial jurisdiction. In this case, foundations were likely to have been viewed as a relatively effective mechanism of achieving the desired objectives. Visibility is likely to have been less relevant to the criteria of efficiency, equity and manageability.

With respect to *coerciveness*, foundations were not delegated the coercive powers of government. As a result, they would be less suited to the achievement of equity objectives than would be direct, authoritative policy instruments with the power to institute the redistribution of wealth. However, the absence of coerciveness would strengthen the legitimacy and political feasibility of the instrument. It may also have lessened manageability concerns by lessening the risks if the instrument's implementation did not go as planned. As not all initiatives are most effectively implemented through coercion, the effect of low coerciveness on the effectiveness criteria would be dependent on the specifics of each initiative. Similarly, as coercive initiatives require high levels of enforcement, the low coerciveness of the instrument is unlikely to have negatively impacted its efficiency.

The hypothesized assessment of the various dimensions is summarized in Table 1 below.

Table 1 Assessment of the Dimensions of Foundations

	Effectiveness	Efficiency	Equity	Manageability	Legitimacy
Independence	✓	✓	-	X	✓
External Expertise	✓	✓	-	-	✓
Multi-year Funding	✓	✓	-	-	X
Leveraging	✓	✓	- / X	-	✓
Automaticity	-	X	-	-	X
Visibility	X	-	-	X	✓ / X
Coerciveness	-	-	X	-	-

✓ = positive X = negative - = no effect

Neoinstitutional Factors

The influence of the identified contextual factors of *public attitudes, stakeholder influence, policy context, bureaucratic ideals, political motivations, and personal commitment (champion)* is also hypothesized. With respect to public attitudes, public distrust of government is likely to have initially favoured the use of third parties, although the repeated criticism of the OAG would have later fostered public skepticism about foundations as an appropriate vehicle for the management of public funds. The presence of trusted stakeholders in a sector would also favour the use of the foundation mechanism. Bureaucrats and politicians are likely to have been influenced by the New Public Management ideal of downsizing government. Political motivations, such as a desire to act in an area of provincial jurisdiction, may also have played a role. Further, it is likely that individual bureaucratic or political champions played a role in advocating the foundation instrument to implement particular initiatives. Finally, the existing

dialogue on foundations suggests that budgetary surpluses were influential in the decision to implement the mechanism. As many foundations were established in areas of shared jurisdiction, it is likely that federal-provincial relationships also played a role.

In summary, a systemic context of *public distrust of government, trusted stakeholders, bureaucratic ideals and political motivations* related to policy objectives and trends towards limiting the direct role of government, as well as the *personal commitment* of individual champions, is likely to have supported the choice of the foundation model. A *policy context* of budget surpluses and shared federal-provincial jurisdiction will also have favoured their use.

Challenges

With regard to the challenges component of the framework, while the concept of policy learning suggests that the capability of bureaucrats and politicians to manage the instrument will have increased with experience, it seems that this was not sufficient to manage the challenges presented by the model. It is hypothesized that the independence of the model had unforeseen flaws: the government's limited control allowed foundation leaders to pursue a differing interpretation of federal objectives, impeding their effectiveness; and limited accountability threatened the instrument's legitimacy. As the government acted to increase control and accountability, it hampered the advantages of foundations, specifically their independence and the government's ability to justify the expensing of foundation funding. As a result, the form of the instrument has been significantly altered since its introduction.

Research Contribution

Using the instrument choice framework, this dissertation seeks to expand knowledge about a unique and little known policy instrument - the Canadian experience with conditional grants to independent foundations – and about the instrument choice process that led to their development and selection to address a number of policy problems. Examination of instruments and instrument choices can provide insight into the factors driving the policy process and patterns of public policymaking, as well as lessons from the experiences of others with the use of particular techniques in specific circumstances (Howlett, 2000, p. 414).

Policy instruments are the tools by which governments seek to address identified public policy problems and achieve desired objectives. As noted by several researchers in the field, most policy instruments are substitutable, but they are not all equal. In a given situation, some will be more effective than others at addressing a policy problem. Thus, once governments decide to take action to address a problem, they are left with the choice of the appropriate instrument to address it (Hill, 2005; Howlett, 2005). As stated by Peters:

Rather than being inherently intertwined in the policies that they deliver, instruments can and do have some autonomous effects of their own and can independently impact the policies for which they are chosen. These effects can determine the success or failure of a program in reaching its policy goals as well as the political success or failure of a program.

Understanding the independent influence of instrument choice is important because policies that appear to be failures because they have chosen goals

that are not achievable through collective action may, in fact, be quite feasible and even popular if they were attempted utilizing different instruments. (2005, p. 353)

The choice of policy instruments matters “for how and whether the policy is executed, how a proposed initiative is greeted during policy formation, and how likely the effort is to achieve the intentions of policy makers” (Bressers, 1998, p. 217).

Increased understanding of the attributes of individual tools and their impact in different situations can help to inform instrument choice. Further, as tools are open to refinement and innovation, it can also support future tool design. As evidenced by recent efforts by the Canadian and Australian governments,⁶ the need for an improved understanding of instrument choice is recognized by practitioners of public administration as well as by academic researchers.

Independent foundations provide an exemplary opportunity for an in-depth study of a single policy instrument. Their extensive independence in using public funds to pursue public policy objectives appears to be limited to Canada. They were first introduced only 15 years ago, and their numbers remain limited, with approximately forty different entities having received conditional grant funding – the determining factor for identifying foundations. As a result, a comprehensive study of these entities only needs to cover a relatively short time frame and it is possible to provide an overview of all

⁶ In 2007, the Treasury Board Secretariat of Canada published, “Assessing, Selecting, and Implementing Instruments for Government Action” to help guide central agency and departmental officials involved in instrument choice. The Commonwealth of Australia released a similar publication in 2009 entitled, “Smarter Policy: choosing policy instruments and working with others to influence behaviour.” Reflecting the objectives of these efforts, the Australian publication notes, “This publication focuses on improving policy design in this environment of increasing complexity and interconnectedness. It looks at issues around choosing policy instruments, involving third parties in policy frameworks, and making use of insights from behavioural theory and evidence, which have not received detailed attention in the available policy guidance material” (p. 1).

instances of its application. Their uniqueness, limited implementation and clear parameters also offer the opportunity to examine why and how a particular instrument is chosen to address public policy issues.

Although unique, the foundation instrument is particularly relevant to the existing trend of seeking to achieve policy objectives through indirect or third party delivery rather than through direct government provision of programs and services, a trend that is likely to continue and potentially expand as governments seek to do more with less in a climate of indebtedness and fiscal constraint. Salamon, in 2002, noted that the sharing of government functions with third party actors is one of the defining characteristics of newer policy instruments (Pal, 2006, p. 140). This observation is reinforced by Peters who identifies the involvement of non-official actors in the delivery of services as a major trend that should be incorporated in the literature on instrument choice (2005, p. 362). An analysis of independent foundations as an instrument of public policy responds to this need.

The analysis should also provide evidence on the roles of different decision-makers in the choice of the foundation model to address a particular policy problem, for example: the roles of politicians, bureaucrats, and stakeholders. The examination of the instrument choice process, including interviews with key actors, can help to illuminate how instrument choice decisions are influenced by the context of ideas, interests and institutions in which they are made.

Despite the prevalence of the use of the foundation instrument in Canada in recent years, as well as the large amounts of public money invested, there has been limited academic literature written on the topic, the most notable of which are two

scholarly articles, “Independent foundations, public money and public accountability: Whither ministerial responsibility as democratic governance?” and “Accountability and Coordination with Independent Foundations: A Canadian Case of Autonomization of the State”, by Peter Aucoin. The first article focuses on accountability and examines how the organizational design of foundations contradicts the principles of responsible government. The second article contrasts what Aucoin considers to be Canada’s very limited adoption of the agency form as prescribed by NPM with the high degree of autonomization characterized by independent foundations. This article is also concerned with accountability and the lack of ministerial control of and responsibility for foundations. It raises some other issues, including: the close relationship between senior government officials and members of the boards of directors of foundations (2006, p. 128); and the policy context in which foundations operate (primarily science and technology) (p. 129). In this paper, Aucoin considers the ability of independent foundations’ to harness the capacities of experts from academe and industry in their particular policy spheres to be a factor in the government’s willingness to fund independent foundations (2006, p. 128). While Aucoin has clearly made a strong contribution to the analysis of foundations, his focus has not been on instrument choice and these two papers do not suggest that he has undertaken in-depth case studies of individual foundations.

Methodology

The research takes a case study approach that is informed by a literature review, an examination of primary and secondary documents, and interviews. The dissertation

was developed in three stages: the literature review and development of the conceptual framework; the gathering of detailed background research on the foundation mechanism and individual case studies; and the interviews and their analysis.

The Literature Review

Two distinct streams of literature were reviewed to inform the dissertation. First, policy instrument and instrument choice literature were reviewed and outlined to provide an overview of approaches and developments in the examination of policy instruments and instrument choice theory. In association with instrument choice theory, literature on neoinstitutionalism and associated principal-agent theory, as well as literature on policy learning were reviewed. This stream of the literature review culminates in Salamon's new governance framework which is used to develop a conceptual framework for the development and selection of conditional grants to independent foundations as a means to achieve policy objectives. The second stream of the literature review examined different forms of government organizations with a particular focus on trends in organizational structures that arose under the paradigm of NPM. This portion of the literature review supports the first section of Chapter 3 which places the phenomenon of conditional grants to foundations in the broader context of government organizations and the Canadian experience with Alternative Service Delivery.

Primary and Secondary Documents

The limited literature which exists on conditional grants to foundations was supplemented by an analysis of primary and secondary documents to inform an understanding of the mechanism itself, and of its evolution over time. The analysis of primary and secondary documents was also used to compile an inventory and basic

information on all foundations that received \$10 million or more in conditional grant funding, as well as to assemble background information for the three case studies. The primary documents include documents prepared or contracted by government departments, such as, the “Departmental Reports on Plans and Priorities,” “Departmental Performance Reports” and federal *Budget Plans*. Numerous reports of the OAG that examined foundations were also reviewed. The OAG reports and the associated government responses, as well as minutes of parliamentary committees that examined the purpose and appropriateness of the foundation model, including through testimony by departmental and foundation representatives, were essential to the analysis of the evolution of government policy on foundations. Primary documents were also retrieved to support the three case studies of individual foundations. These included consultation documents, speeches and news releases, annual reports and evaluations prepared or contracted by the foundations. Requests made under the *Access to Information Act* yielded additional government documents, providing further insight into the policy development and instrument choice processes. For the three case studies, briefing notes covering the estimated period of their inception were requested from each of the three sponsoring departments: Industry Canada, Health Canada, and Human Resources and Skills Development. As well, documentation pertaining to the creation of the CFI, the first foundation to receive conditional grant funding, was requested from the Privy Council Office and the Department of Finance. Interestingly, the requests to Industry Canada and Health Canada received nil responses, indicating that there was no information on file under the date and description identified by the request. Fortunately, the Department of Finance, and Human Resources and Skills Development provided

primary documents that illuminated some of the process and analysis behind the creation of the Canada Foundation for Innovation and the Canadian Council on Learning, respectively.

Interviews

In person interviews were held with 24 key informants, including government officials who worked at central agencies and responsible departments during the development and implementation of conditional grants to foundations, as well as foundation employees and Board members who played a role in the development and or implementation of foundation funding or activities. Table 2 below depicts the distribution of the interviews across the case studies. Because some individuals were involved with more than one foundation, the numbers depicted in the table exceed 24. The four interviews listed as general worked at central agencies and had general knowledge of the foundation instrument that was applicable across the case studies.⁷

Table 2 Distribution of Interviews

	CFI	Infoway	CCL	General
Foundation Representatives	4	1	4	
Government Representatives	6	5	4	4

Interviews sought to understand similar issues from the perspective of foundation representatives and government officials. They were semi-structured, using a set of open-ended questions tailored to the two groups. The questions are included at Appendix

⁷ The individuals listed under general are not included in the tally of the case study interviews although some individuals are listed as informing more than one case study.

A. Interviews lasted approximately one hour. All but two interviews were taped and transcribed. In these two exceptions, hand written notes were compiled during the interview and transcribed to provide a written record. Within this document, interviews are numbered and identified by the date on which they occurred.

Ethical Considerations

The Carleton University Research Ethics Board granted ethical clearance for this research in June 2010. All interview candidates were provided with a letter explaining the nature and objective of the research. Written consent was obtained from candidates who agreed to participate. Confidentiality was ensured by assigning a code to each interview candidate⁸. The information and consent letters provided to participants are attached as Appendix B.

Case Studies

Case studies were undertaken on three of the forty independent foundations identified as having received \$10 million or more in conditional grants. An important research method in policy analysis (Pal, 2005), the case study is “an in-depth, multi-faceted investigation, using qualitative research methods, of a single social phenomenon. The study is conducted in great detail and often relies on the use of several data sources” (Orum, 1991, p. 2). The case study is also described as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 1994)⁹. The in-depth examination of actions and motivations undertaken within case studies make

⁸ One interview participant is cited by name in this dissertation after offering this opportunity.

⁹ Cited in Dunham da Costa, Silvana. *Mineworkers' Quality of Life in Remote Communities: A Multiple Case Study in the Brazilian Amazon*. Ph. D. Dissertation. University of British Columbia: Vancouver. 2008.

them particularly relevant when explanatory or “how” and “why” questions are being addressed (Yin, 2003, p. 1). Thus, case studies are an obvious means to analyze the context, process and reasoning by which conditional grants to independent foundations were developed as a means to achieve federal policy objectives.

Orum et al. note four foundational advantages of case studies. First, they ground observations and ideas about social actions and structures in their natural setting. Second, the use of multiple information sources allows a holistic study and, hence, a more comprehensive understanding of complex social networks, actions and meanings. Third, the fact that they trace events over a period of time provides the opportunity to analyze both continuity and change. Finally, they encourage theory generation and generalizations (pp. 6-7).

While case studies are sometimes questioned for their objectivity and generalizability, both of these criticisms can be defended. As cited in Orum et al. above, while the case study is a single unit of analysis, it incorporates numerous information sources and data points. Thus, the conclusions of case study research must be upheld by these multiple information sources. Triangulation - the use of complementary and overlapping data sources – can help to ensure the validity of observations within a case study (Orum et al, and Stake). Objectivity is also closely related to the potential to replicate the research. Clear articulation of the research procedures should allow others to repeat it and verify the objectivity and validity of the results (Berg, p. 259). As argued by Yin, a well-selected case study can corroborate or refute a hypothesis, while multiple case studies that support a hypothesis can increase confidence in the conclusion (cited in Pal, 2005, p. 233).

Selecting Foundations for Case Studies

While the 40 foundations identified as having received \$10 million or more in conditional grants is a relatively small number, it is still too many to attempt to undertake an in-depth review of the policy development process behind the funding of each one of these organizations. Three foundations were selected for case studies with the intention of examining a cross-section of those entities that received conditional grant funding.

The following criteria are relevant to the selection of these case studies.

1. **The amount and type of funding received.** More specifically:
 - a) The funding amount: Departments are only required to include information for foundations that have received \$10 million or more in their departmental reports. However, the latest information shows a range of funding from \$10 million to \$3.65 billion.¹⁰ Given the broad range in funding amounts, the three foundations that have received the most funding account for approximately \$9 billion of all conditional grants. This represents the majority of the approximately \$12.6 billion in funding provided through conditional grants and could be considered to be representative; however, these large grants may also have been subject to the closest scrutiny prior to their approval and hence skewed in terms of their conformity to strict requirements.
 - b) Time limited versus perpetual endowments: In the majority of cases, funding to foundations is provided through time limited funding agreements with both

¹⁰ Since the initial funding, the federal government has provided an additional \$4.11B in funding to the organization for a total of \$4.91B over 12 years. However, beginning in the 2007-08 fiscal year, the Government noted that it would account for the funds as they are disbursed by CFI to institutions. As a result, only \$3.65B was provided as conditional grants.

the principal and interest expected to be drawn down over a pre-established number of years; however, in a limited number of cases, funding is provided in perpetuity. In the case of an endowment in perpetuity, the foundation must fulfill its mandate through earned interest or other sources of income while preserving the principal amount. This model implies a large endowment relative to annual expenditures.

- c) Single versus multiple grants: More than a third of foundations have received more than one conditional grant. Foundations whose funding has been renewed or enhanced may have been particularly successful at fulfilling their mandates or well-aligned with the government's current priorities.
2. **The timing of conditional grants**: Selecting foundations with chronologically dispersed grants would enable consideration of how the federal policy approach towards this instrument has changed over time.
 3. **The mandates of foundations**: Despite the large number of foundations, with few exceptions their mandates can logically be grouped as: health research and information, science and the environment, learning and post-secondary education, policy research and advocacy, business and economic development, governance and redressing racism. It may be logical to choose foundations from across these mandates, recognizing that there is overlap in some cases.
 4. **Legislation versus *Canada Corporations Act***: Some foundations were created by the government through federal legislation while others were created by individuals or "good Samaritans" as not-for-profit organizations under the *Canada Corporations Act*. It could be informative to look at examples of these

two different forms of enabling legislation as it may be theorized that the use of purpose specific enabling legislation would give the government greater control in shaping a foundation.

Based on these considerations, the following entities were selected as case studies: the Canada Foundation for Innovation, Canada Health Infoway, and the Canadian Council on Learning.

The **Canada Foundation for Innovation** is an independent, not-for profit corporation established through federal legislation. The CFI's mandate is to strengthen the capacity of Canadian universities, colleges, research hospitals, and non-profit research institutions to carry out world-class research and technology development that benefits Canadians. Announced in Budget 1997, the CFI was the first significant foundation funded by the federal government. The Budget announced an initial, up-front investment in the CFI of \$800 million to be spent over five years. Funding was provided to the CFI in July 1997. Since the initial funding, the federal government has provided an additional \$4.11 billion in funding to the organization for a total of \$4.91 billion over 12 years. However, beginning in the 2007-08 fiscal year, the government noted that it would account for the funds as they are disbursed by CFI to institutions. As a result, only \$3.65 billion was provided as conditional grants.

Canada Health Infoway (Infoway) is an independent, not-for profit, shared governance corporation incorporated under the *Canada Corporations Act* and operating at arm's length from government. Infoway's mission is: "to foster and accelerate the development and adoption of electronic health information systems with compatible standards and communications technologies on a pan-Canadian basis, with tangible

benefits to Canadians.” Infoway was created in 2001. A cooperative effort of the federal, provincial and territorial governments, the Deputy Ministers of Health in Canada’s federal, provincial and territorial jurisdictions are the 14 Members of *Infoway’s* governing body. Infoway’s Board of Directors consists of a mix of federal and provincial/territorial appointees as well as individuals selected by the Members. Initially provided with \$500 million in funding as part of the *Canada Health Care, Early Childhood Development and Other Social Services Funding Act*, Infoway has been the recipient of five separate injections of federal funding totaling approximately \$2.1 billion.¹¹

The **Canadian Council on Learning (CCL)** is an arm’s-length, not-for-profit organization with a mandate to: promote knowledge and information exchange among learning partners; inform Canadians regularly of Canada’s progress in learning; and address knowledge gaps and provide evidence-based information to improve investments along the full span of lifelong learning on a pan-Canadian basis. The CCL was incorporated under the *Canada Corporations Act* on December 11, 2003 by three founding directors who later appointed its remaining nine Board members. In March 2004, the Government of Canada provided the CCL with \$85 million to be spent over five years. In 2009, the Government granted the CCL a one-year extension, to March 31, 2010, to spend its existing funding. While the CCL continued efforts to secure further federal funding, in December 2009 it was notified by the Minister of HRSD that it would not receive further funding following the March 2010 expiry.

¹¹ Only the first three allocations of federal funding to Infoway (totalling \$1.2B) were provided in the form of conditional grants.

Comparing the Case Studies

These three entities received a range in funding amounts from the CCL's single grant of \$85 million to be spent over five years, to the five separate funding amounts and almost \$5 billion provided to the CFI. While the CCL received one grant which the government decided not to renew upon its expiry, the CFI experienced a transformation in the method of funding from one-time conditional grants expensed by the government in the year they were provided to incorporation of its revenues and expenses within the accounts of the government and a shift to annual contributions. Like the CFI, Infoway has received multiple grants and a shift in the form of its funding mechanism. The most recent federal investment in Infoway, announced in Budget 2009, was placed on hold for a year, pending "due diligence" into the project. Grants to these entities extend from the first conditional grant provided to the CFI in 1997 to Budget 2009 announcements of additional funding for both CFI and Infoway. Together, the mandates of these three entities pertain to the fields of health and education, as well as the tasks of infrastructure development, research and knowledge brokering. With respect to governance, they provide a sampling of entities created through legislation and through the *Canada Corporations Act*, as well as Boards of Directors comprised only of stakeholders and Boards that include federal and provincial government representatives. They also incorporate varying degrees of provincial collaboration.

One shortcoming of the three foundations selected for case studies is the absence of a foundation in receipt of an endowment in perpetuity. This decision was made both due to the characteristics of the grants to these entities and a perceived shortage of available information. Both in numbers and dollars, endowments in perpetuity are a small subset of the conditional grant funding provided to foundations. Of the forty

foundations identified, 14 were in receipt of endowments in perpetuity. Only three of these received funding in excess of \$55 million: the Pierre Elliott Trudeau Foundation (\$125 million), the Nature Conservancy of Canada (\$225 million) and the Green Municipal Fund (\$550 million). Even those entities that received large initial endowments have relatively small annual expenditures due to the requirement that they only spend the interest they earn and preserve the principal that they receive from the government. Further, the opportunities for interaction between the government and the organization are limited as there is no need to renew the funding. However, this remains an area for further research.

Format of the Dissertation

This dissertation consists of seven chapters which may be divided into four sections: the first section consists of this introductory chapter and Chapter Two, the literature review, theoretical framework and hypothesis; Chapter Three on the foundation instrument constitutes a single section; Chapters Four, Five, and Six, the three cases studies, are a section; and Chapter Seven, the conclusion, is the final section.

In the first section, this introductory chapter provides an overview of the objective, lays out the research questions, theoretical framework and hypothesis, and documents the methodology. Chapter Two undertakes a review of the literature on policy instruments and instrument choice with a particular emphasis on third party instruments and the application of neoinstitutionalism and policy learning approaches to instrument choice. It also establishes the theoretical framework of the dissertation and elaborates the

working hypothesis regarding the assessment of the foundation policy instrument by decision-makers, as well as the influence of external factors.

In the second section, Chapter Three examines the policy instrument of conditional grants to independent foundations in three sections. The first section places conditional grants to foundations in the context of other government organizations, New Public Management and the Canadian concept of Alternative Service Delivery. It also looks at two alternative mechanisms, third party trusts and program specific transfers, which share certain similarities with foundations and have been utilized in comparable circumstances. The second section documents the evolution of conditional grants to foundations from their introduction in 1997 to the present, focusing on criticisms raised by the OAG and responses by the federal government. The third section examines trends and variations in the provision of conditional grants to the forty organizations that received them between 1997 and 2009. This section is supplemented by Appendix C which includes: the amounts, start and expiry dates, and the purpose of the conditional grants, as well as an overview description of the recipient organization, for all conditional grants listed by departments in their *Reports on Plans and Priorities* for the fiscal years from 2004-05 to 2010-11.

Chapters Four, Five and Six are case studies of three foundations, the Canada Foundation for Innovation, Canada Health Infoway, and the Canadian Council on Learning, respectively. Each case study elaborates the policy development process leading to the creation of the foundation, including the policy problem and context, as well as the foundation's mandate, governance, objectives, and activities. Based on this

information, the cases are compared with the hypothesis of the instrument assessment established in Chapter Two.

The concluding chapter, Chapter Seven, provides a review of the main findings of the dissertation and suggests areas for further research.

CHAPTER 2: LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Introduction

This chapter establishes the research framework for the dissertation and is composed of three sections. The first section reviews the policy instrument literature, which, through its study of the specific and relative characteristics of policy instruments and of instrument choice, provides a background both for analyzing the characteristics of the foundation policy instrument and for considering why it may have been chosen over alternative policy instruments to address an identified policy problem. The second section elaborates the theoretical framework for the dissertation based on an adaptation of existing instrument choice theory, primarily using Salamon's new governance framework for the analysis of policy instruments but adapting the model to include considerations raised by neoinstitutionalism and the theory of policy learning. The theoretical framework provides a lens for examining the characteristics of the foundation instrument and the factors that led policy makers to select the instrument to address policy problems. The third and final section hypothesizes probable factors influencing the decision process regarding the use of foundations to address public policy problems.

Policy Instruments

It is useful to begin with a definition of policy instruments. According to Bemelmans-Videc, "[p]ublic policy instruments are the set of techniques by which governmental authorities wield their power in attempting to ensure support and effect social change" (1998, p.3). For Salamon, a "tool, or instrument, of public action can be defined as an identifiable method through which collective action is structured to address

a public problem” (Salamon, 2002, p 19). As noted by Salamon, several implications flow from these definitions. First, individual tools have common or defining features. Second, tools structure action, determining who is involved in the delivery of public programs, their roles and how they relate to each other. Third, action is collective. It is not just government agents but also other actors who are involved in addressing public policy problems (Salamon, 2002, p 19). Further, tools are a multifaceted bundle of attributes. They include: a type of good or activity; a delivery vehicle for the activity (e.g. a loan); a delivery system or set of responsible organizations; and a set of rules that define the relationship between the involved organizations (Salamon, 2002, pp. 19-20).

Policy Instrument Literature

The policy instrument literature follows two distinct but interconnected streams: the study of policy instruments and the study of instrument choice. The study of policy instruments examines the characteristics of individual policy instruments. Further, by comparing and contrasting these characteristics, it attempts to create classifications for instruments, grouping them together according to certain shared characteristics and/or arranging them on a scale according to the degree to which they possess a certain characteristic. The concept of instrument choice flows naturally from the effort to compare and contrast instrument characteristics. However, as its name implies, the instrument choice literature goes beyond the characteristics of individual instruments to examine the process and factors involved in the decision to use a particular policy instrument(s) to address a public policy problem. Therefore, the instrument choice literature extends to examine other influences such as the actors involved, the policy objectives, the institutional context and policy learning.

As outlined below, the policy instrument literature has evolved significantly over the last 50 years. Starting from a straight forward cataloguing of policy instruments, it has evolved into a sophisticated analysis of the instrument choice process that incorporates both instrument characteristics and contextual influences.

Typologies

The first significant attempt at classifying policy instruments is generally credited to Kirschen (1964) who identified 64 different instruments. Kirschen, an economist, concentrated on the technical and economic aspects of individual policy instruments – their effectiveness and efficiency – as well as their legal attributes (Peters, 2005, p. 362). While extensive, Kirschen’s analysis focused on the enumeration of policy tools and did not attempt to build a taxonomy or comparative analysis of tools (Linder & Peters, p. 39).

Political scientists built on the early work of Kirschen and other economists, expanding the aspects of instruments under consideration and using a comparative analysis of certain instrument characteristics as the basis for various attempts to develop taxonomies for classifying policy instruments. While the economists’ perspective on instruments tend to focus on the market failures that justified intervention, political scientists tended to consider the possible political rationale for instrument choice decisions (Howlett, 2005, p. 32). For example, Doern and Phidd developed a typology that ranged policy instruments according to the degree of coercion they exert and theorized that governments’ prefer to use the least possible coercion. They identified five primary categories of instruments and ranked them by increasing degrees of coercion: self-regulation, exhortation, expenditure, regulation (including taxation), and public ownership (cited in Hosseus and Pal, 1997, p. 402). In another example, Hood’s NATO

scheme organized policy instruments by the four groups of resources he believed government's have available to achieve their objectives – nodality (information), authority, treasure (finance) and organization (cited in Pal, 2006, p. 140).

As noted by Linder and Peters, there are a number of shortcomings with the early typologies that were constructed. The various classifications may be so broad as to be as varied within as they are between categories, or they may not be mutually exclusive. For example, considering Hood's scheme, a single tax program could have both authoritative and treasure elements (Linder & Peters, 1989, p. 40).

Instrument Choice

Recognizing the shortcomings of efforts to classify policy instruments according to a single characteristic, Salamon argued for the need to recognize that tools have multiple dimensions along which they may be compared and contrasted, such as the nature of the activity they undertake, whether they provide direct or indirect delivery, and the degree of administrative oversight required, noting that they may be similar along one dimension but different along another (Salamon, 1989, p. 14). In this vein, Salamon and Lund identified a useful framework of potential consequences or considerations for the uses of different tools. These potential consequences included: administrative feasibility, effectiveness, political support, efficiency and equity (p. 41). In his 2002 book, *The Tools of Government: A Guide to the New Governance*, Salamon supplemented this list with a more extensive set of considerations, adding: legitimacy, political feasibility, degree of coerciveness, and visibility. Linder and Peters also developed a set of eight design criteria for evaluating policy instruments which may be considered along with those developed by Salamon. The criteria identified by Linder and Peters include:

complexity of operation; public visibility; adaptability across uses; level of intrusiveness; relative costliness; reliance on market; chances of failure; and precision of targeting (1989, p. 56).

The efforts to classify policy instruments and range them along a scale lead naturally to the question of instrument choice as theorists seek to understand how and why policy and decision-makers choose a particular instrument or instruments to address a public policy problem. The concept of a logical choice of instrument to address a given policy problem based on assessed characteristics corresponds to a rational choice or public choice approach to instrument choice. Public choice applies the rational choice model of individual utility maximization to public sector decision making. Within the rational choice framework, decision-makers are self-interested, utility maximizing, rational actors with stable preferences and complete information who make decisions based on their own preferences rather than on the collective good. In this context, institutions establish the rules and incentive structures within which decision-makers act, but they are not considered as structuring decision-maker's preferences (Atkinson and Nigol, p. 110). Under a public choice model, decision-makers would be able to choose from among a full inventory of available instruments, compare their relative suitability or the problem at hand, and select the instrument that will most efficiently enable the achievement of their objectives (Atkinson and Nigol, p. 107).

Neoinstitutional Approaches: Considering Organizational and Contextual Factors

While the rational choice approach seeks to model a logical, fully informed policy decision-making process, more recently, a large body of work on policy instrument choice (e.g., Atkinson and Nigol, 1989; Landry and Varone, 2005; Linder & Peters, 1989, etc.) has moved beyond the narrow, strictly defined parameters of the rational choice

approach to a neoinstitutional approach. This approach broadens the scope of analysis to include the organizational and political context of decision-making and the preferences of individual decision-makers.

Neoinstitutionalism replaces the rational choice assumptions of stable, known and exogenous preferences, complete information, and rational choice behaviours prescribed to individuals, with the concept of bounded rationality (Atkinson & Nigol, p. 108). This bounded rationality, or imperfect knowledge, allows for the existence of asymmetric information, incomplete contracts and opportunistic behaviour between principals and agents (Dollery, 2001, p. 188), thereby permitting the more nuanced understanding of their relationship that exists under principal-agent theory.

Principal-agent theory addresses the possibility of differences in the objectives and motives of principals and the agents they hire or contract to undertake work. Ongoing bargaining between principal and agent creates the possibility of opportunistic behaviour on the part of the agent. While the principal can try to control the agent's behaviour through contracting, without perfect information it is impossible to incorporate all possible eventualities in a contract, particularly in complex areas of public policy (Williamson, 1998, p. 31). Theoretically, the agent is well placed to help the principal achieve his or her objectives; however, in instances where the agent's interests diverge from the principal's, the agent may not always act to maximize the principal's wealth or non-monetary objectives (Dollery, 2001, p. 196). This development in the literature is particularly relevant to the analysis of independent foundations as third parties charged with delivering on government objectives may have their own priorities, which do not always strictly align with those of the government. At the same time, they are given

considerable discretion in the implementation of their mandates and are likely to be more difficult to monitor and control than would be the case in the perfect contracting situation suggested by rational choice theory.

Neoinstitutionalism also assumes a much greater influence of institutions on decision-makers preference than the mere establishment of rules and incentive structures proposed by rational choice theory. Atkinson and Nigol undertook a comparison of rational choice and neoinstitutional approaches to instrument choice and concluded that, in comparison to the strict model of rational, self-interested political actors and institutions that define rules and structure incentives advocated by rational choice, “the neo-institutional approach offers a perspective on political choice that takes better account of contextual and organizational factors” (p. 109). As Atkinson puts it, under neoinstitutionalism “institutions are not instruments designed by those who have stable preferences; instead, they are critical actors in the social construction of reality” (p. 114). In this case, institutions shape preferences rather than simply constraining behavior (Linder & Peters, 1989). Following from this premise, individuals make their decisions from the available range of options by considering their own and others previous experiences, as well as accepted norms and standards. Moreover, choices are influenced by the cultural and historical frameworks in which decision-makers act (Powell and DiMaggio, 1991, p. 10). Institutions “become autonomous in the sense that they are able to influence political decisions independent of the individuals that occupy roles within them” (Atkinson and Nigol, p. 115).

Atkinson and Nigol propose ~~three~~ implications of a neoinstitutional approach to instrument choice. First, researchers should recognize that the decision to use a particular

policy instrument is not a discrete choice, but, rather, it is influenced by the institutional context, including the history of previous instrument choices. Second, an analysis of instrument choice should include the political discourse as it conveys the shared moral and political understandings which influence the decision. Third, institutional capacity impacts policy instrument choices. Institutions that are independent and flexible will have the option to implement a wide range of policy instruments while institutions that are more tightly structured or restricted will be confined to a much narrower range of instruments with a tendency towards the status quo (pp. 115-116).

This concern with the institutional context is echoed by Landry and Varone who suggest what they term as an “interactive” approach to the study of instrument choice. This interactive approach would consider the evaluative criteria of a deductive approach: resource intensiveness, targeting, political risk, and financial and ideological constraints. It would also recognize that, as suggested by neoinstitutionalism, while some instruments may share technical capabilities, the choice of a particular instrument is influenced by the institutional context (p. 114). In their words, “[a]ll instruments are inextricably linked to resources, bureaucrats, target groups, and specific institutional procedures” (p. 111).

In their 1989 article, “Instruments of Government: Perceptions and Contexts,” Linder and Peters emphasized the role that individual decision-makers have in influencing instrument choice. They specifically argued that it was insufficient to look simply at the nature and use of various policy instruments and, instead, advocated a broader approach that would also look at the meanings decision-makers attach to particular instruments and the processes through which one instrument comes to be favoured over others (p. 35). In their words, this approach “begins with the cognitive

factors that shape instrument choice and appraisal and then attempts to place those subjective factors into their proper institutional and systemic context” (p. 36). For Linder and Peters, the choice of instrument is subjective rather than objective, with decision-makers’ perceptions shaped by their background, cognitive orientations and context (p. 36). They highlight the importance of contextual influences, arguing that the organizational context, including the culture, values systems and external contacts of the organization in which decision-makers operate (pp. 49-51), and the context of the problem situation - its timing and the actors involved (p. 52), which they termed “the systemic context”, influences the choice of policy instrument.

Policy Learning and Instrument Choice

While it builds on the neoinstitutional understanding that decision-makers are influenced by the institutional context, including the history of previous instrument choices, the influence of policy learning on instrument choice merits separate consideration. Hall defines policy learning as “a deliberate attempt to adjust the goals or techniques of policy in the light of the consequences of past policy and new information so as to better attain the ultimate object of governance” (Hall, 1988, cited in Howlett and Ramesh, 1993, p. 14). The application of policy learning theory to instrument choice allows for the incorporation of the idea that networks of individuals are able to draw lessons from experiences with policy instruments over time. These lessons provide policy and decision-makers with evidence to make informed instrument choice decisions based on their experience with or knowledge of the effectiveness of instruments over time and across settings and sectors. They would also be able to use these lessons to improve or refine existing policies and programs (Howlett & Ramesh, 1993; Landry & Varone, 2005).

According to Howlett and Ramesh, a learning-based theory would aid in understanding the rationales that guide instrument choice decisions by: directing attention to the agents of choice, illuminating the instrument choice process, and helping to conceptualize the effects of particular instruments. Thus, they argue that a policy learning theory of instrument choice would support the analysis of the roles of various actors, including policy communities and networks. It would contribute to an intertemporal and interspatial approach that considers the impact of previous decisions across sub-national, national and international levels. Further, it would help to distinguish between periods of incremental and paradigmatic change (1993, pp. 16-18). The incorporation of policy learning was similarly endorsed by Landry and Varone who noted that both within government and internationally decision-makers have a tendency to consider previously chosen instruments (1993, p. 113).

Third Party Instruments

Lester Salamon's 2002 book, *The Tools of Government: A Guide to the New Governance*, makes a major contribution to the instrument choice literature through its emphasis on third party policy instruments, an emphasis that is particularly relevant to this dissertation's examination of independent foundations. Salamon argues that the last 50 years have witnessed a transformation in the technology of public action as governments have shifted from a focus on the direct provision of services and programs to indirect provision with and through third parties (p. 1). In his view, neither the privatization nor New Public Management schools accurately capture the change that has occurred with the use of third parties in delivering government services. These schools argue for the need to downsize and privatize the delivery of government services to move away from what they depict as centralized agencies serving the personal interests of

bureaucrats; however, this prescription ignores the extent to which this transformation has already occurred through the introduction of a wide array of new, largely indirect policy tools (p. 7). In Salamon's words, "what is involved here, moreover, is not simply the delegation of clearly defined ministerial duties to closely regulated agents of the state. That is a long-standing feature of government operations stretching back for generations. What is distinctive about many of the newer tools of public action is that they involve the sharing with third-party actors of a far more basic governmental function: the exercise of discretion over the use of public authority and the spending of public funds" (p. 2). According to Salamon, this new mode of operation links government and third parties in a complex collaboration that greatly complicates the management and control of public business (p. 2). This premise of the transformation of government programming through the transfer of discretion to third parties is particularly relevant to the foundation model as foundations have considerable discretion under their funding agreements to determine how they will achieve their objectives.

To deal with the changes brought about by governments' use of third parties, Salamon advocates what he terms a "new governance" approach to the analysis of public administration. This approach would recognize governments' increasing reliance on third parties to solve public problems and study these new collaborative approaches in a way that specifically acknowledges the particular challenges and opportunities they embody (p. 8).

Salamon theorizes that his new governance approach would lead to a conceptual shift from the classical study of public administration in five major areas: first, it would shift the unit of analysis from an individual program or agency to policy tools; second, it

would shift the focus of analysis from organizational hierarchies to networks; third, the traditional concept of competition between the private and public sector would be replaced by collaboration; fourth, the previous command and control orientation of hierarchical public management is replaced by negotiation and persuasion, implying significant implications for accountability; and fifth, the requirement for negotiation and persuasion in relations with third parties would suggest that public managers must master a different set of skills than those required within a traditional hierarchy (p. 9). These changes in the orientation of analysis under public administration and Salamon's new governance approach are illustrated in Table 3 below.

Table 3 The New Governance Paradigm	
<u>Classical Public Administration</u>	<u>New Governance</u>
Program/Agency	Tool
Hierarchy	Network
Public vs. Private	Public + Private
Command and Control	Negotiation and Persuasion
Management Skills	Enablement Skills

(Salamon, 2002, p. 9)

Salamon suggests that policy tools are the appropriate unit of analysis in the context of third-party delivery, arguing that a limited number of tools are employed across a broad array of programs and that these tools exhibit common features regardless of the sector in which they are implemented. He particularly emphasizes that the choice of tools determines the actors involved in the program implementation stage. In turn, these actors impact the program design throughout implementation, affecting the policy outcomes. Further, because the choice of tool impacts the relative influence of various

actors, Salamon argues that tool choices are highly political (pp. 10-11).

Ensuing from the switch of focus from programs to tools, Salamon's approach also shifts the focus of analysis from organizational hierarchies to networks. Salamon posits that the change in focus to policy tools and networks under the new governance approach also highlights complementarities between the public and private sectors and the benefits to be gained through collaboration (p. 14). He argues that the new indirect policy tools have created opportunities to harness additional actors in addressing complex public policy problems, but that they have also greatly complicated public management. Subsequently, the classical understanding of a bureaucratic hierarchy organized toward a "command and control" approach to public management is replaced by horizontal networks that must use negotiation and persuasion. While public managers responsible for the implementation of initiatives utilizing direct policy tools can rely on hierarchical relationships to effectively manage others, public sector managers mastering the 'technology' of these new third party tools must learn to manage relations with a host of different public and private actors using negotiation and persuasion, and find a balance that can achieve accountability for results despite the attenuated control of delivery (p. 15).

While privatization theory and New Public Management focus on what they view as the positive aspects of third party delivery – eliminating the inefficiencies caused by the self-interest of bureaucrats and improving performance by implementing private sector management tools to the public sector, Salamon argues that both these schools fail to recognize the complications that result from third party delivery. In contrast, Salamon's new governance approach to governments' use of third party delivery "shifts

the focus from the internal workings of public organizations to the networks of actors on which they increasingly depend” (p. 12).

Salamon’s new governance approach acknowledges the problems that principal-agent and network theory present for government actors as they attempt to obtain desired outcomes through third parties. In this context, the information advantage of agents makes it difficult for principals to control the agents and ensure that their behavior is strictly targeted to achieve the principal’s objectives. As a result, the management challenges for government and government actors associated with the use of policy tools implemented by third parties are distinctly different from those which arise in instances of direct implementation by governments (p. 12-13).

Salamon’s New Governance Framework for the Analysis of Policy Instruments

Building from the premise that the shift from the direct provision of services to indirect provision with and through third parties represents a transformation in government action and an accompanying proliferation in policy instruments (pp.1-2), Salamon proposes a new framework for the analysis of policy instruments. Salamon’s framework includes five criteria for assessing the consequences of choosing a particular policy tool and four dimensions along which policy instruments may be compared and contrasted. It also elaborates three critical challenges which arise with the use of third party tools (p. 38).

Criteria

Salamon’s five criteria for evaluating individual policy tools are: *effectiveness*, *efficiency*, *equity*, *manageability*, and *legitimacy and political feasibility* (p. 22) where: *effectiveness* measures the extent to which a particular tool achieves its objectives;

efficiency balances results against direct and indirect costs; *equity* evaluates both the fairness of the distribution of costs and benefits among those impacted by a particular instrument, and the extent to which benefits are redistributed within the population toward those with greater need; *manageability* refers to the ease of implementing and operating programs; and *legitimacy and political feasibility* measures the extent to which tools are viewed as an appropriate means of government intervention and can feasibly be implemented (pp. 23-24).

Dimensions

Salamon also offers four dimensions along which tools may be compared and contrasted – *coerciveness*, *directness*, *automaticity* and *visibility* – and proposes their implications for the assessment of different instruments against the aforementioned criteria.

Coerciveness measures the extent to which a tool restricts individual or group behaviour as opposed to merely encouraging or discouraging it. With respect to this dimension, Salamon posits “the more coercive the tool, the more effective it is likely to be, and the more likely to yield redistributive results” (p. 26). However, he also notes that coercive tools are difficult to manage and may impose an efficiency loss on society because they rely on administrative oversight rather than markets. They may also pose a legitimacy challenge because they restrict freedoms.

The *directness* of a tool measures the extent to which its authorization, funding and implementation are carried out by the authorizing entity, generally the government; however, the distinction of authorizing entity is important because a tool may be designed and funded by one level of government but implemented by another. Direct tools are

those designed and implemented solely by the authorizing entity. According to Salamon, the more indirect the tool, the greater the autonomy of the third party charged with its implementation (p. 28). Salamon lists a number of advantages of indirect tools that are strikingly similar to advantages of independent foundations listed by government officials and documents. According to Salamon, indirect tools create competition in the provision of public services, offering an alternative to government agencies and potentially improving quality. They may be able to access talent and resources that government organizations cannot. They also provide greater flexibility and responsiveness. (However, the flexibility cited by Salamon assumes that government is not responsible for the start-up costs of new entities.) Indirect tools are politically popular as they diffuse benefits and control among the various actors. They “cut affected interests into a “piece of the action” when government programs threaten to infringe on their fields” (p. 30). Indirect tools also have disadvantages. Their complexity and the array of actors involved make them difficult to manage. Their complexity can also hinder their effectiveness. As well, the principal-agent difficulties may be more severe when delivery occurs through the efforts of multiple organizations than through only those of a single government entity. The third party actors, particularly private sector ones, may not share government’s traditional concern with equity. Finally, indirect tools may weaken governments’ legitimacy by obscuring government’s role in the provision of services (p. 32). Salamon suggests that indirect tools will be moderately more efficient than direct ones.

Automaticity “measures the extent to which a tool utilizes an existing administrative structure for its operations rather than creating its own special

administrative apparatus” (p. 32). According to Salamon, the impact of automaticity on manageability and effectiveness varies with the context. For example, using existing market mechanisms may be more effective than creating a new administrative structure, but contracting with the private sector may create new technical and legal challenges that are effectively managed by internalizing transactions within the bureaucracy (p. 34). With respect to the remaining criteria, Salamon suggests that greater automaticity will result in greater efficiency but less equity and legitimacy.

By Salamon’s definition, *visibility* measures the extent to which a tool shows up in the government’s policy review processes, particularly the budgetary process (p. 35). The limited visibility created by the multi-year funding aspect of foundations seems like an obvious example of this phenomenon. However, Salamon’s examples include loan guarantees which only show up in governments’ budgets if they go into default and regulations which are entered into governments’ accounts according to their administrative costs, but which may have significant costs for the private sector and society that are not included (p. 35). Salamon argues that budgetary constraints and government unpopularity favour invisible tools. Salamon theorizes that governments are more likely to use visible tools to support equity goals as these are generally seen as legitimate political objectives. Conversely, invisible tools will be favoured when the public may view objectives as inequitable. Invisibility can make it difficult to obtain accountability which can also hinder efficiency. As a result, Salamon suggests that the stronger the constituency of a benefit, the more likely it is to promote and secure a relatively invisible tool (p. 37). Finally, Salamon does not propose a direct link between visibility and effectiveness or manageability.

Table 4 below illustrates how the assessment of policy instruments against Salamon's criteria responds to increases in each of the four dimensions.

Table 4 Assessment of Criteria Against Increases in the Four Dimensions

Dimensions	Criteria
↑ Coerciveness	Effectiveness ↑ Equity ↑ Efficiency ↓ Manageability ↓ Feasibility ↓
↑ Directness	Effectiveness ↑ Equity ↑ Efficiency ↓ Manageability ↑ Feasibility ↑
↑ Automaticity	Effectiveness ↓ Equity ↓ Efficiency ↑ Manageability ↑ Feasibility ↓
↑ Visibility	Effectiveness n/a Equity ↑ Efficiency ↑ Manageability n/a Feasibility ↓
Challenges: management, accountability and legitimacy	
(Adapted from Salamon)	

Challenges

Salamon's new governance framework also identifies three critical challenges to "third party government": management, accountability and legitimacy (p. 38). According to Salamon, organizing, coordinating and directing third party government actors and initiatives imposes a new, and possibly more complex, set of management challenges. Details that could be managed as they arise under direct government must be foreseen, planned for and written into agreements in advance under "third-party government" (p. 38). As mentioned earlier, the organization of disparate actors into effective networks also necessitates a different set of management skills. New accountability challenges occur when the entity responsible for implementation has considerable discretion and is not ultimately responsible for the results achieved through public funding. Finally, by disconnecting the taxes citizens pay from the services they receive, the use of third-party policy instruments can create a legitimacy challenge for government (p. 38).

Salamon's new governance framework provides an excellent basis from which to analyze foundations as a policy instrument. Foundations exemplify the use of third parties to deliver public services and address public policy problems. The foundation model harnesses actors from outside of government and blends public resources and private not-for-profit delivery. Foundations are highly indirect tools which are primarily managed through complex agreements established between the government and the foundation at the outset of the initiative. They require the maintenance of a collaborative relationship between government employees and elected officials and the representatives of the foundation. Finally, the independence of the foundations and the need to maintain the arm's length relationship creates accountability challenges for the government.

Building from Salamon's new governance framework, the next section of this chapter develops an analytical framework for considering the decision to use foundations as an instrument of federal public policy.

Theoretical Framework for Analyzing Foundations

The proposed framework that follows will use the criteria of effectiveness, efficiency, equity, manageability, and legitimacy and political feasibility outlined by Salamon. However, Salamon's framework will be modified with additional dimensions and more detailed consideration of neoinstitutionalism and policy learning. The dimensions are adapted by substituting *independence* for directness and adding *external expertise, multi-year funding and leveraging* to Salamon's coerciveness, automaticity and visibility. Also, the concept of *policy learning* is added to the challenges of management, accountability and legitimacy, which Salamon identifies to the management of third party delivery tools, reflecting the fact that knowledge and understanding of the foundation

model evolved over time. Finally, a neoinstitutional perspective is explicitly incorporated into the framework, opening the door to consideration of the broader institutional and systemic context and introduces the concept of bounded rationality in the behavior of individual actors. Based on a recognition of the groups and individuals who influenced the environment in which the foundation mechanism was developed and selected, as well as the advisors and decision-makers themselves, the contextual factors of *public attitudes, stakeholder influence, bureaucratic ideals, political motivations, personal commitment (champion)* and *policy context* are added to the framework.

Dimensions and the Characteristics of Independent Foundations

Budget 2003 elaborated a set of principles that the federal government would consider in using a foundation to deliver public policy. These principles highlight characteristics that are likely to have contributed to the choice of the foundation model over other potential policy instruments and can help inform the development of a dimensions component for the theoretical framework for the foundation instrument choice. These principles are:

- focusing on a specific area of opportunity;
- using the insight and decision-making ability of independent boards of directors with direct experience in the issues;
- using expert peer review;
- guaranteed long-term funding; and
- the opportunity and capacity to lever additional funds (DoF, 2003, p. 179).

Although only the guaranteed long-term funding is exclusive to foundations, these principles highlight some of the characteristics that are likely to have contributed to the

choice of the foundation model over other potential policy instruments. These characteristics can be summarized as: *independence, external expertise, multi-year funding and leveraging*. To establish a set of dimensions relevant to the use of foundations, independence will be substituted for Salamon's concept of directness and external expertise, multi-year funding and leveraging will be added to the other dimensions proposed by Salamon – *coerciveness, automaticity and visibility*.

Independence denotes the fact that foundations operate at arm's length from government. *Independence* is closely related to Salamon's concept of *directness* where direct tools are those designed and implemented solely by government and, the more indirect the tool, the greater the autonomy of the third party charged with its implementation. *Independence* has multiple implications, including releasing foundations from many of the administrative requirements that frame government operations and distancing them from political interference.

External expertise and *multi-year funding* are two characteristics closely associated with the foundations' independence but ones that merit separate consideration. Other policy instruments also use experts from outside of government, but experts may have an increased degree of freedom and objectivity when they are acting under the auspices of a foundation than when they are working for a government department.

Multi-year funding facilitates foundations' independence. By eliminating the need to seek additional government funding on an annual basis, it provides foundations with a high level of budgetary certainty. It also reduces the number of occasions where the government may influence foundation behavior through funding renewals.

Documents released by the government note that foundations' independence,

ability to harness external expertise and the certainty of multi-year funding would contribute to their capacity to *leverage* funding from other sources. In choosing to use the foundation policy instrument, it is likely that decision-makers believed that, in comparison to a direct policy instrument, they would be relatively successful at *leveraging* funding from other sources. In fact, the requirement that foundation programming leverage funding from other sources was frequently written into foundations' funding agreements. In turn, this ability to leverage funds implies a low level of *coerciveness* relative to many alternative means, such as taxes or fees, by which the government could raise funds for an initiative.

The Government's accounting practice of expensing foundation funding in the year it was provided has the additional positive attribute of allowing the government to reduce budgetary surpluses that would have otherwise been applied to the federal debt and, instead, to use those funds to address its chosen priorities. This practice and the closely related multi-year funding limit the extent to which the foundations' activities and expenses appear in the government's review and budgetary processes. Thus, foundations would be viewed as having low *visibility*. The independence of foundations also limited opportunities for public visibility in the sense of marketing the government's efforts, e.g., ribbon cutting, although the government did include some requirements for publicly recognizing federal funding for the foundations' activities in the funding agreements, presumably as an attempt to compensate for this deficiency.

Salamon's notion of *automaticity* is also relevant in considering the selection of the foundation policy instrument over alternative policy tools. However, automaticity will vary between different applications of the foundation policy instrument depending

on whether an active organization already existed or a new one was created.

Neoinstitutionalism and Systemic Context

Salamon's framework is further expanded by a focused inclusion of neoinstitutionalism in the analysis of the foundation instrument choice process. Neoinstitutionalism is important in considering the decision making process. It necessitates consideration of the role that broader organizational and contextual factors inside and outside government may have played in the choice of this particular instrument, as well as the impact of the preferences of individual decision-makers in the instrument choice decision. These factors will be summarized as: *public attitudes*, *stakeholder influence*, *bureaucratic ideals*, *political motivations*, *personal commitment* and *policy context*. The first four factors encompass the major groups that influenced the environment in which foundations were selected as the appropriate policy instrument to achieve government objectives, as well as the advisors and decision-makers who ultimately selected the mechanism. The fifth factor, personal commitment or the existence of a champion, acknowledges the potential for dedicated, interested individuals to influence the choice of instrument. The final factor is a general term to group other contextual factors, including broadly applicable issues such as federal-provincial relations and budgetary surpluses, as well as factors specific to each initiative, such as spiraling costs in the health sector, which may have influenced decision-makers.

Neoinstitutionalism also recognizes bounded rather than complete rationality and supports an examination of the principal-agent relationship between government, as represented by the relevant politicians and officials, and the leadership of the foundation. The nature and actualization of the principal-agent relationship links to the management,

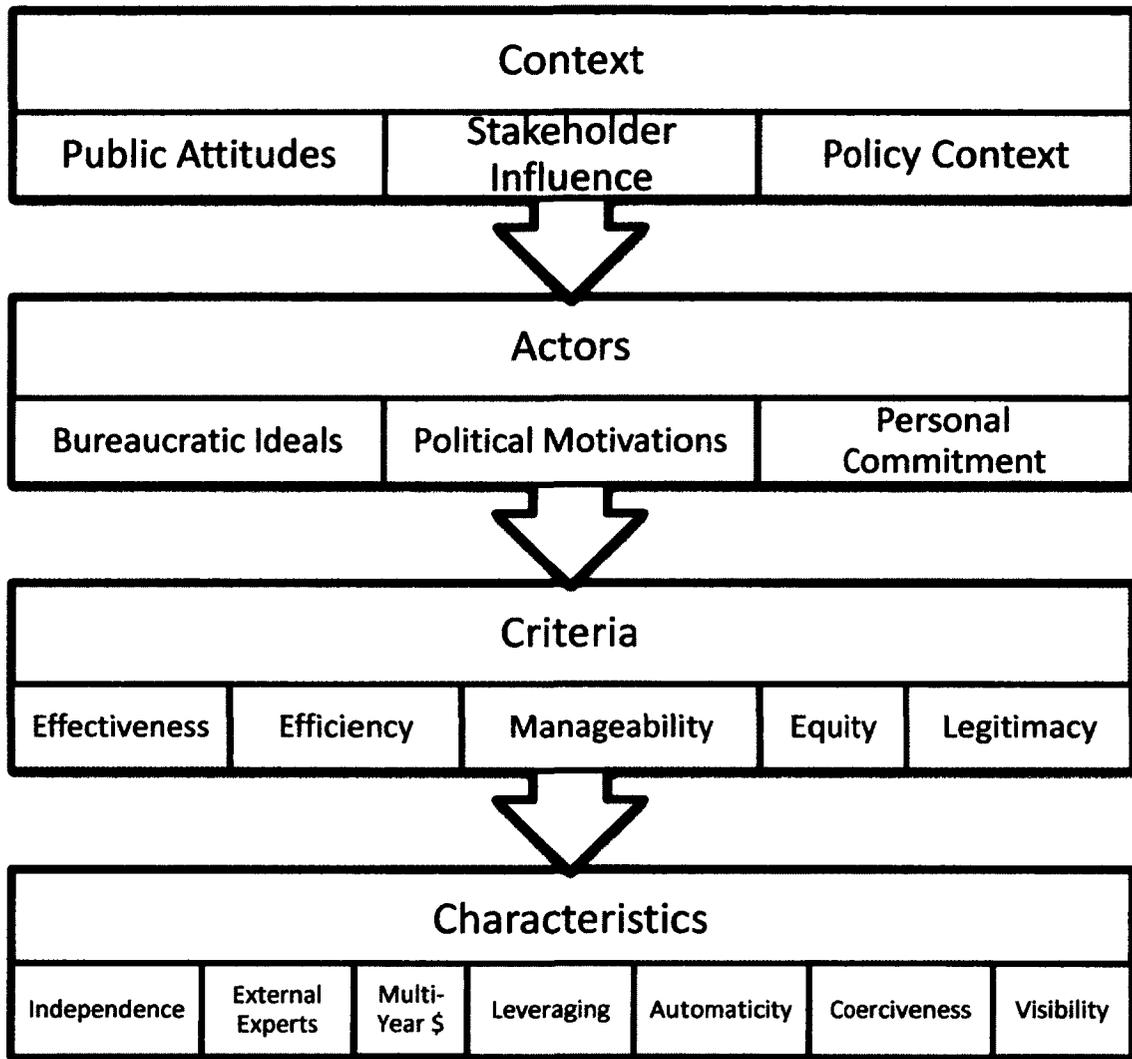
accountability and legitimacy challenges of third party delivery and, subsequently, to the question of whether policy learning influenced the nature of the relationship over time.

It should be noted that certain aspects of neoinstitutionalism are implicit within Salamon's framework. For example, he notes that tool choices are "profoundly political" and that they are shaped by cultural norms and ideological predispositions (2002, p.11). Salamon also refers to principal-agent and network theory to substantiate his arguments that governments may have severe difficulties in getting third parties to deliver on government objectives (p. 13). However, by noting specific influences to be considered, a more explicit incorporation of neoinstitutionalism can inform an analysis of foundations as a policy instrument and the instrument choice process.

Challenges

The final addition to Salamon's framework is policy learning. Following Howlett and Ramesh (1995), there should be evidence of interspatial and intertemporal learning as policy makers integrate lessons from other examples of foundations and over time. The concept of policy learning is suggested in Salamon's description of the critical challenges inherent in third party delivery as government agents are confronted and respond to the difficulties of working with disparate actors, ensuring accountability under new delivery methods, and sustaining the legitimacy of government. Government agents must learn to adapt if they are to successfully meet these challenges. Similarly, decision-makers will gain increased understanding of the implications of choosing a particular instrument over time and the instrument itself may be adapted as a result of these lessons. However, the explicit addition of policy learning to the framework ensures that this concept is included in the analysis. The framework is illustrated in figure 1 below.

Figure 1 Theoretical Framework for Assessment of Foundation Policy Instrument



- **Management Challenges**
- **Accountability Challenges**
- **Legitimacy Challenges**

While this framework incorporates a large number of variables, their inclusion is necessary to develop a comprehensive understanding of the decision making process. In particular, they are needed to unpack the complex environment in which policy decisions are made, the roles and influences of the various actors involved, the objectives they seek to achieve, the instrument characteristics, and the influence of time. Thus the variables contained in the framework are linked in a multi-level relationship.

As illustrated through the graphic representation of the theoretical framework, the identified variables possess a nested, multi-level relationship. The variables proceed from the macro level, the neoinstitutional context that structures behaviour and preferences, to the decision makers that exercise instrument choice and the valuations they make, to the micro level of the characteristics of the instrument itself.

As described by Howlett, “assessing the reasons for instrument choice in any policy area requires a multivariate explanation since actors exist within an institutional structure in which the nature and types of resources they possess and the level of overall government capacity are crucial factors affecting policy decisions and actions. Similarly, different instruments have different impacts and capabilities in-themselves which affect their efficiency and effectiveness in any given policy design context” (2009, p. 84). Further, “policy instrument choices can thus be seen to result from a nested or embedded relationship within a larger framework of established governance modes and policy regime logics. In this contextual model, the range of choices left at the level of concrete targeted policy instrument calibrations – the typical subject of policy tool analysis – is restricted by the kinds of decisions made about policy objectives and the appropriate tools to attain them, and both of these, in turn, by the kind of choices made at the highest

level setting out general policy aims and implementation preferences” (Howlett, 2009, p. 73).

While multiple variables exist on a single level of the framework and may be bundled to a higher level of abstraction, an unpacking or decomposition is necessary to inform a more sophisticated understanding of the various influences at play in the decision making process. Thus, starting from the outermost level of the framework, the instrument choice decision occurs within a neoinstitutional context that is decomposed into three variables: public attitudes, stakeholder influence and policy context. At the next level, government decision makers - bureaucrats and politicians - act within and are influenced by the broad neoinstitutional context which both constrains their actions and shapes their perceptions (Linder & Peters, 1989, p. 36). Flowing from this level, the criteria provide a means for decision makers to assess the suitability of different policy instrument options to address the identified policy problems. Because different decision makers may have different preferences for the various attributes of a policy instrument, as well as having multiple sub-objectives in addressing a given policy problem, multiple criteria are required. The five criteria included in the framework are effectiveness, efficiency, equity, manageability, and legitimacy and political feasibility. Finally, the foundation policy instrument itself rests at the most micro-level of these nested groupings of variables. However, policy instruments are not one dimensional but have multiple attributes that affect their ability to address a given policy problem. Hence, the foundation instrument is evaluated by government decision makers based on its various characteristics, identified here as independence, external experts, multi-year funding, leveraging, automaticity, coerciveness and visibility.

Further considering the unpacking of these four levels of variables, at the neoinstitutional level, public attitudes and stakeholder influence model the impact of external actors on the instrument choice decision. Public attitudes capture the perception of the general public and the media to government intervention in a given policy area. This could, for example, influence the willingness of decision makers to implement innovative instrument models that test the bounds of accountability. Similarly, stakeholders may exert varying degrees of pressure for new spending in their area of interest or express a preference for certain instrument characteristics. Public attitudes and stakeholder influence could also be considered to be two specific elements of policy context, the third variable at this level. Policy context is intended to act as a composite variable that captures relevant institutional and systemic factors, such as the prevailing policy discourse, policy agenda or priority setting, the availability of resources, and the governance structure of a particular policy area. While these variables identify factors that are relevant to each case study, the specifics of the variables may differ in each case due to the differing policy areas, changes in actors, passage of time and evolution of events that occurred between the implementation of each case study. For example, the priorities and preferences of the university and research sector that were relevant to the Canada Foundation for Innovation case may differ from those of the health sector who potentially influenced the Canada Health Infoway instrument or the learning stakeholders that were relevant to the Canadian Council on Learning.

Similarly, government decision makers may be decomposed into groupings according to their roles and interests, hence the three variables of bureaucratic ideals, political motivations and personal commitment. Bureaucrats or senior officials and

politicians represent the two major groups within government that have a role in policy instrument selection. The particular focus of these variables in the framework on the behavioural predispositions of these actors reflects the neoinstitutional assumption that individuals' behavior is constrained by their institutional context. Where institutions are defined as the formal and informal procedures, routines, norms and conventions that structure organizations (Hall & Taylor, p. 938), neoinstitutionalism theorizes that institutions shape individuals' preferences and behaviours, as well as enhancing understanding and shaping expectations of the behavior of others.

As highlighted by Linder and Peters, the culture, values systems and external context of the organization in which decision makers operate influences the choice of policy instrument (p. 49-52). Thus, institutions may condition bureaucrats to value certain ideals and modes of behavior. For example, bureaucrats may value accountability and transparency above performance, or express a preference for government to take on activities rather than contracting them to the private sector. Similarly, politicians may be motivated by the necessity of reelection or by an overwhelming desire to act in what they perceive to be the national interest. The variable of personal commitment or champion serves as a counterbalance for the other two variables in this grouping and seeks to determine whether any one individual played a particularly important or conspicuous role in the instrument choice decision. This inclusion reflects the finding in organizational theory that many successful new products are advanced through the efforts of ideas champions (Mullins). Again, while these variables identify a particular lens for examining the instrument choice decision process, the specifics will vary with each case study. For example, the bureaucratic ideals that guided the fiscal guardians at the

Department of Finance in the creation of the Canada Foundation for Innovation may differ from the bureaucratic ideals that motivated public servants at Health Canada to promote the use of a foundation to undertake a major information technology initiative in health care or that contributed to the selection by Human Resources and Skills Development of the foundation instrument to measure progress in learning.

At the next level, Salamon's criteria of effectiveness, efficiency, equity, manageability, and legitimacy and political feasibility provide a basis for examining how decision makers may have assessed the characteristics of the foundation policy instrument. In fact, these may be viewed as a typical set of criteria for assessing government interventions. A comparison with the Public Interest Test (Appendix D) provided under the Treasury Board Secretariat of Canada's Alternative Service Delivery Policy (2002) shows a similar set of considerations. As a guideline to determine whether the use of an alternative service delivery mechanism is an appropriate means to achieve federal objectives, the Public Interest Test examines the planned governance, anticipated costs and benefits, and communications plans, whether there is provision for measuring and improving client satisfaction, value for money and accountability, the contribution to government identity and visibility, and impact on the public services, in addition to consideration of Official Languages requirements. The questions in the Public Interest Test align broadly with Salamon's criteria of effectiveness, efficiency, manageability, and legitimacy and political feasibility, as well as the dimension of visibility and the accountability challenge. Although Salamon's equity criteria does not at first glance appear to be particularly relevant to the foundation model, it is generally viewed as a legitimate government objective and the extent to which the government was pursuing

alternative objectives to equity through the use of the foundation model is worth considering. The multiple criteria included at this level also reflects the fact that decision makers have multiple goals or objectives that they are seeking to achieve through a single policy instrument. For example, they may wish to choose an instrument that ensures good value for money, is tightly targeted to the intended objectives, attracts other partners or investors, and will be readily accepted by the relevant stakeholders.

Although the policy instrument literature suggests other potential criteria, such as targeting, resource intensiveness and political risk, it can be argued that the criteria proposed by Salamon, in concert with the dimensions and challenges, are sufficiently comprehensive. For example, the extent to which an instrument is precisely targeted to its objectives is a factor in its effectiveness while resource intensiveness is an element of efficiency. Similarly, political risk may be seen as the flip side of legitimacy and political feasibility.

It should also be noted that the assessment of the policy instrument characteristics is likely to vary over time. The assessment at the time of the instrument choice decision is based on a perception of how the instrument will perform. When a new instrument is developed, the assessment is based on a theoretical understanding of its characteristics and a comparison with other instruments with similar and different attributes. Over time, the assessment is informed by experience as decision makers have the benefit of policy learning from previous exposure to the instrument. Because this is a study of the use of a single instrument across time, lessons learned from earlier implementations, adjustments to the mechanism that result from these lessons, and changing contexts should influence later decisions.

Finally, there are the characteristics of the foundation policy instrument. These characteristics provide a means of unpacking the instrument to determine which features or aspects decision makers valued. As noted by Salamon, “tools have multiple dimensions in terms of which they can be compared and contrasted and particular tools may be alike along some dimensions and different along others” (2002, p. 22). The characteristics included in the theoretical framework are derived from the policy discourse that surrounded foundations, for example in the Budget 2003 statement on guiding principles for their use, and the dimensions or characteristics identified by Salamon.

While seven is a large number of instrument characteristics to consider, it is necessary to study the instrument from a variety of angles, or, to use a Salamon’s term, along a number of dimensions, in order to ascertain which characteristics influenced the instrument choice decision. Further, a number of the foundation characteristics included in the framework are related. For example, independence is a necessary condition to the multi-year funding characteristic as only through the use of an independent entity was the government able to transfer the funding to these entities and expense it from the public accounts in advance of its expenditure by the foundations. The independence of the foundations also influenced the visibility of their activities in the federal budget process and the extent to which their activities provided visibility for federal investments. Again, while not all the identified characteristics of the foundation instrument may necessarily be relevant to the instrument choice decision, it is necessary to enumerate and analyze them in order to make this determination.

Hypothesis

This modified version of the dimensions, criteria and challenges proposed by Salamon provides a framework for the assessment of the foundation policy instrument. Based on a preliminary understanding of the instrument and its applications, it is possible to hypothesize the factors influencing the choice of the foundation policy instrument according to this theoretical framework.

Criteria, Instrument Characteristics and Salamon's Dimensions

Salamon's criteria - effectiveness, efficiency, equity, manageability, and legitimacy and political feasibility - provide a basis for hypothesizing the factors influencing the choice of the foundation policy instrument, as well as the implementation challenges associated with it. However, it must be noted that not all criteria will be relevant for all dimensions.

Following the theory of NPM, an international trend of public sector reform since the 1980's that advocates for a greater market orientation of government, including downsizing government by privatizing the delivery of services and bringing private sector management practices to the public sector (Hood, 1999; Aucoin, 1995; Charih, 1997; Borins, 2002, etc.), it is likely that decision-makers would have expected the *independence* and *external expertise* of foundations to lead to a high level of effectiveness and efficiency. According to the theory of NPM, the independence of foundations, including their capacity to harness the abilities of independent boards of directors, would decrease the size and direct role of government, facilitating what Osborne and Gaebler termed as government steering, not rowing (1992). The value placed on independence and external expertise is evidenced by the Budget 2003

principles listed on page 52 of this dissertation.¹² It is not clear how independence and external expertise would impact equity as organizations may or may not choose to make this a priority and the government could include this concept as part of the organization's mandate. With respect to manageability, it was likely recognized that the arm's length, independent nature of the foundation model limited ministerial control over spending decisions, making this instrument more difficult to manage than a policy instrument that is implemented directly by a government department, although the extent of this challenge is likely to have been underestimated. Further, it may also have been felt that the independence of foundations would provide legitimacy and political feasibility to federal activities in areas outside of strict federal jurisdiction. For example, foundations such as the Canadian Council on Learning and the Canadian Institute for Health Information allowed the federal government to increase its influence in the areas of education and health. The independence and expertise of foundation members would lend credibility and legitimacy to foundation activities in a broader sense by, at the very least, creating an appearance of objectivity relative to direct government delivery, as well as by the validation provided by the expert members.

Effectiveness and efficiency would also be supported by the greater flexibility and certainty afforded to foundations by *multi-year funding*. For example, long-term funding enables foundations to plan and contract across fiscal years. In contrast, while the budgetary attributes of multi-year funding at first supported the legitimacy and political feasibility of the instrument, this feature later threatened these same criteria as it came under criticism from various sources.

By drawing in partners and securing additional funding towards the desired policy

¹² Both NPM and the Budget 2003 principles are further elaborated in Chapter 3 of this dissertation.

objectives, *leveraging* is likely to have had a positive impact on the assessment for effectiveness and efficiency. It may also have been viewed as positively influencing legitimacy and political feasibility by reducing the required investment and the federal presence; however, it would reduce equity by favouring those parties with greater access to funding. It is unlikely to have been relevant to the manageability criteria.

The perceived impact of *automaticity* is likely to have varied between different applications of the foundation policy instrument, depending on whether an active organization already existed or a new one was created. Where a new entity must be created, it can be expected to have detracted from the efficiency of the initiative. The additional investment required should also have negatively impacted legitimacy and feasibility. In contrast, automaticity is not likely to have had an impact on the effectiveness, equity and manageability criteria except as it links to independence.

The low *visibility* of foundations is likely to have had both positive and negative impacts on feasibility and legitimacy. Low visibility would be viewed negatively in terms of getting political credit for investments, but could also have positive effects, for example, providing a less controversial means of achieving federal objectives in an area of provincial jurisdiction. In this case, foundations were likely to have been viewed as a relatively effective mechanism for achieving the desired objectives. Visibility is likely to have been less relevant to the criteria of efficiency, equity and manageability.

With respect to *coerciveness*, foundations were not delegated the coercive powers of government. As a result, they would be less suited to the achievement of equity objectives than would be direct policy instruments, for example, through redistribution. However, it should be recognized that, to some extent, equity is a function of the program

objectives rather than the policy instrument. Requirements such as an equitable geographic distribution of funds could be included in the funding agreements governing grants to foundations, although such a provision could not be so restrictive as to infringe on the foundations' independence.

The absence of coerciveness would strengthen the legitimacy and political feasibility of the instrument by increasing its acceptance among stakeholders. In turn, this would support effectiveness and efficiency by supporting stakeholder cooperation in implementation, particularly as coercive initiatives require high levels of enforcement. The coerciveness of the instrument would not have impacted its manageability.

Neoinstitutionalism and Systemic Context

Following Linder and Peters' (1989) notion of a systemic context, organizational and contextual factors inside and outside government are likely to have influenced the decision to use the foundation instrument rather than alternative instruments. Based on the groups of players who influenced the decision-making environment and the decision itself, the factors proposed in the theoretical framework are: *public attitudes, stakeholder influence, policy context, bureaucratic ideals, political motivations, and personal commitment.*

Public attitudes will have influenced the decision-making process. Conditional grants to independent foundations emerged at a time when the public was particularly distrustful of politicians and government (Aucoin, 2003, p. 2). The context of public distrust may have led to "public support for governance structures that actually remove public business from the partisan arena of ministerial and parliamentary government and thereby allow private-sector "stakeholders" to manage public business with public

money” (Aucoin, 2003, p. 2). This same concept has been noted in the context of the use of quangos. “They allowed control and regulation by new bodies of experts or appointed individuals who worked with an element of independence from traditional politics and therefore were not tainted” (Flinders 1999, p. 30, cited in Bertelli, 2006). Similarly, public skepticism about the appropriateness of foundations is likely to have been furthered by the repeated criticism of the OAG.

Stakeholders’ preferences are also likely to have weighed into the instrument choice decision. As pointed out by Doern and Levesque, stakeholders, in this case university presidents, were highly influential in the decision to fund the first major foundation, the Canada Foundation for Innovation (2002, pp. 136-7). As noted earlier, Aucoin considers the ability of independent foundations’ to harness the capacities of experts from academe and industry in their particular policy spheres to be a factor in the government’s willingness to fund independent foundations (2006, p. 128).

Both bureaucrats and politicians are also likely to have personal preferences and priorities that are shaped by experience and the environment in which they act. These preferences will impact their choice of policy instrument or alternatively, depending on their role in the instrument choice process, the advice they give regarding instrument options. In the case of foundations, bureaucrats and politicians are likely to have been influenced by the NPM ideal of downsizing government, i.e. foundations, which can be viewed as an extreme form of Alternative Service Delivery, are likely to have been viewed as a more efficient means of delivering services outside the traditional bureaucracy. For example, decision-makers may have believed that the transaction costs, such as search and information costs, would be much lower for well-connected experts in

the field than for public servants. Political motivations, such as a desire to act in an area of provincial jurisdiction, may also have played a role. Further, it is likely that individual bureaucratic or political champions played a role in advocating for the use of the foundation instrument to implement particular initiatives.

Finally, under the category of policy context factors, the systemic context prevailing at the time of the instrument choice decision, including factors such as government agendas or priorities, the relevant governance structure and resources, are likely to have influenced the choice of policy instrument. For example, government agendas established the priorities for major new investments, setting the backdrop for the instrument choice decision. Within this area, the prevailing governance structure may also have created conditions or constraints that favoured the choice of the foundation instrument. In fact, in all three cases, the shared or contested federal-provincial jurisdiction are likely to have contributed to the decision to use an arm's length, low visibility instrument to achieve federal policy objectives. Similarly, the existing research on foundations suggest that budgetary surpluses were influential in the decision to implement the mechanism. In particular, the officials and politicians linked to the Department of Finance are likely to have been preoccupied both by the better than anticipated financial performance of the government at the time of the creation of the CFI and the desire not to return to deficit financing. These motivations would have been less intense among officials linked to the line departments of Health Canada and Human Resources and Skills Development that were responsible for the two other case studies.

The differing perspectives and motivations of individuals associated with the Department of Finance and individuals associated with Health Canada and Human

Resources and Skills Development also raise the issue of policy learning as individuals linked to the two line departments will have had the benefit of lessons learned with respect to the instrument in the intervening time between its initial creation and subsequent implementations. Policy lessons that will have shaped and constrained later decisions include the persistent and vocal criticism of the accountability of the instrument, as well as the effectiveness of the instrument in achieving federal policy and financial objectives.

Challenges, Implementation Issues and Policy Learning

An examination of government experience with conditional grants to foundations is likely to reveal that the use of third party delivery created a new array of interrelated challenges which can be categorized under Salamon's framework of management, accountability and legitimacy. This review of the foundation model and the evolution of federal policy on foundations will attempt to document how the government faced these challenges and to consider the success of efforts to resolve them.

The challenges encountered by government agents will have created their own cycle of policy learning as these actors sought to adapt the instrument to better meet their objectives. As elaborated in Chapter 3, federal policy with respect to foundations evolved over time. As foundations were a completely new instrument when they were introduced in 1997, it follows that their implementation was a learning process. In particular, it is likely that implementation revealed imperfections in the control and direction provided through the funding agreement mechanism and in the principal-agent relationship.

In terms of management, accountability and legitimacy challenges, the need to

maintain the independence of the foundations while securing accountability and value for money requires a delicate balance. The funding agreements between the government and the foundations prescribe the objectives of federal funding and the associated terms and conditions, including the accountability requirements. The contracting limitations of funding agreements combined with the need to maintain the organizations' independence are likely to have made it difficult for government agents to ensure that foundations strictly pursue and fulfill the envisioned objectives and to secure accountability. Similarly, the independence of foundations would prevent government agents from taking a "command and control" approach. At the same time, the efforts to recognize and manage horizontal issues across government are likely to have made the networking, collaboration and negotiation skills emphasized by Salamon much more prevalent within government than he suggests. As a result, while challenging for bureaucrats, managing the relationship with these third parties would not represent a paradigm shift in terms of the necessary skills.

Despite the trust the government may have had in foundation leaders, the principal and agent may still have had different perspectives on the appropriate actions and outcomes. As the foundations' executive and management were generally experts in the field, they are also likely to have had their own ideas about how best to achieve their mandates, which may not have conformed to the government's intentions for the foundations. As a result, foundations are likely to have displayed mission creep or mission skewing as the foundations' boards of directors and staff pursued their own priorities within the bounds permissible under the funding agreements. Reality may have demonstrated that it was harder than originally anticipated to achieve desired outcomes

through the foundation model.

The potential for foundations to operate outside of their mandate was noted in the evaluation of the Canada Millennium Scholarship Foundation (CMSF):

The evolution of activity just described . . . is one of the principal benefits of independent corporate status, and one that the CMSF has clearly capitalized upon . . . At the same time, this very evolution raises a broader concern about accountability. The development of a research program, for example, along with the initiation of pilot projects, however academically sound they may be and however conducive they may subsequently turn out to be in the development of effective public policy, nonetheless raise a question about “mandate creep”. An institution without clear lines of accountability may find interesting, worthy and important things to do that take it beyond its core management competency and mandate (IIR, 2003, p. 18).

The legitimacy challenges of the foundation instrument are very closely associated with the accountability challenges. In explaining the legitimacy challenge, Salamon emphasized a disconnect between taxes paid and services received, which is closely related to the visibility characteristic; however, in the case of foundations, the legitimacy challenge may be more closely associated with the accountability limits and the question of whether they were a legitimate mechanism for spending public funds.

While policy makers may have made every effort to provide funding to foundations with clear objectives and expectations, the independence of the foundations limits the government’s control of this policy instrument. Thus, there is likely to have

been ongoing policy learning and negotiation as the government sought to ensure that its objectives were achieved and as foundations defined and pursued their mandates within and possibly at times outside, the limits delineated by their funding agreements. In particular, the government is likely to have struggled with the balance between accountability and independence and to have found it necessary to adjust both its policies and funding agreements with foundations over time to maintain an appropriate balance.

Over time, the government took action to increase the accountability of foundations to ministers and Parliament. However, it is hypothesized that increasing accountability hampered what were perceived as two of the greatest advantages of foundations – the government’s ability to expense money in the year it was provided and the arm’s length relationship between foundations and the government. Subsequently, the popularity of the foundation model declined.

Summary

This dissertation will examine the following propositions.

1. Criteria and Dimensions:

The *independence* and *external expertise* of foundations suggested they would perform well on the criteria of effectiveness, efficiency, and legitimacy and political feasibility.

They would not rank as well for equity but this is unlikely to have been a primary objective of the initiatives they were selected to implement. Their ranking for manageability would have been less positive, but the strength of the funding agreement in this area may have been overestimated.

The flexibility of *multi-year funding* would lead to a high ranking of foundations for efficiency and effectiveness but eventually reduce their political feasibility.

The *leveraging* capability of foundations would have led to a strong assessment for effectiveness, efficiency and legitimacy.

The assessment for *automaticity* would depend on whether the foundation entity already existed or had to be created, but the need to create a new entity would lead to poor assessments for efficiency and legitimacy.

The relatively low visibility of the foundation mechanism would result in a negative assessment in terms of obtaining political credit for investments, but could also have positive attributes, for example, providing a less controversial means of achieving federal objectives in an area of provincial jurisdiction.

The lack of coerciveness would lead to a negative assessment in terms of the instruments' ability to impact equity.

The hypothesized assessment of the dimensions is summarized in Table 5 below.

Table 5 Assessment of the Dimensions of Foundations

	Effectiveness	Efficiency	Equity	Manageability	Legitimacy
Independence	✓	✓	-	X	✓
External Expertise	✓	✓	-	-	✓
Multi-year Funding	✓	✓	-	-	X
Leveraging	✓	✓	X	-	✓
Automaticity	-	X	-	-	X
Visibility	✓	-	-	-	✓ / X
Coerciveness	✓	✓	X	-	✓

✓ = positive X = negative - = neutral

2. Neoinstitutionalism: A systemic context of *public distrust of government, trusted stakeholders, bureaucratic ideals and political motivations* related to policy objectives and trends towards limiting the direct role of government, as well as the *personal commitment* of individual champions is likely to have supported the choice of the foundation model. A *policy context* of budget surpluses and shared federal-provincial jurisdiction will also have favoured their use.
3. Challenges, Implementation Issues and Policy Learning: The independence of the model had unforeseen flaws: the government's limited control allowed foundation leaders to pursue a differing interpretation of federal objectives, impeding their effectiveness; and limited accountability threatened the instrument's legitimacy. As the government acted to increase control and accountability, it hampered the advantages of foundations, specifically their independence and the government's ability to justify the expensing of foundation funding. As a result, the popularity of the instrument declined.

Conclusion

The objective of this chapter was to establish a framework for the analysis of the foundation policy instrument. The policy instrument and instrument choice literature was reviewed to establish a theoretical foundation for the analysis. This literature serves to highlight not only the characteristics of the instrument to be considered, but also the importance of institutional and contextual factors in the decision-making process. In particular, it emphasizes that instrument choice is not a static, objective process, but one that is influenced and informed by institutional and contextual factors, including previous experience. This literature also provides insight into the ways in which the delivery of

government programs and services has been transformed through the use of third parties in their delivery. Building from Salamon's new governance approach, a framework was developed for the analysis of the foundation instrument, which includes criteria for the assessment of identified foundation characteristics, identifies potentially relevant neoinstitutional and contextual factors influencing the instrument choice decision, and highlights issues surrounding the implementation of this new instrument.

The next chapter of this dissertation provides an overview of the foundation model, including an examination of the characteristics of the instrument and the evolution of federal policy and a summary of the instances of its implementation. It also places the independent foundations in the context of government organizations in Canada and international trends in policy instruments under NPM. Following this overview, Chapters 4, 5 and 6 of this dissertation will use the theoretical framework established in this chapter to support case studies of three independent foundations: the Canada Foundation for Innovation, Canada Health Infoway and the Canadian Council on Learning.

CHAPTER 3: INDEPENDENT FOUNDATIONS

Introduction

This chapter is divided into three separate sections, each of which examines foundations and the conditional grants used to fund them from a separate perspective. The first section considers the mechanism in the context of other forms of government organizations and tools, particularly those that emerged under the auspices of New Public Management and the Canadian phenomenon of Alternative Service Delivery. In the process, it demonstrates the exceptional independence granted to foundations as third party instruments. It also looks at two alternative mechanisms, third party trusts and program specific transfers, that share certain similarities with foundations and have been utilized in comparable circumstances. The second section traces the evolution of the elaboration of federal policy on foundations from the inception of the foundation mechanism to the present - developments that played out publicly chiefly in the context of formal government responses to criticism of the mechanism put forward by the OAG and various Standing Committees of the House of Commons and the Senate. Finally, the third section provides an overview of existing foundations and examines similarities and differences in the various instances where the foundation model was implemented.

Independent Foundations and Other Forms of Government Organizations

Foundations are independent, not-for-profit organizations created either through legislation or the *Canada Corporations Act* (OAG, 2005, p. 1) and governed by a board

of directors with expertise and experience in the domain of the foundation. The Board exercises discretion in the disbursement of up-front federal funding, which the entity receives for a specified objective. Some board members, although always a minority, may be appointed by the federal government (OAG, 2002, p. 8).

Foundations are given an initial lump sum endowment, known as a conditional grant, either in perpetuity with only the investment revenue to be used, or time limited with both the investment and any earned revenue to be disbursed over a prescribed number of years.¹³ TBS defines conditional grants as “transfer payments made available to a recipient at the beginning of a multi-year period, either in the form of a lump sum or flow of funds, to cover expenses over a number of years” (2007a).¹⁴ The grants are governed by a funding agreement between the organization and the government as represented by the responsible (sponsoring) minister. The organization spends the funding according to the parameters identified in the funding agreement. The funding agreements are approved by Treasury Board and cover areas such as: the purpose of the federal assistance; the expected results to be achieved from the funding provided to the foundation by the government; the reporting, audit, evaluation and accountability requirements; guidelines or rules governing the investment of funding provided to the foundation; and transparency, code of conduct and official languages requirements (DoF, 2005). However, the terms of the funding agreement cannot be so directive that they are seen to infringe upon the independence of the organization. As a type of transfer

¹³ The government refers to both funding where the recipient is expected to spend both the principal and interest over a prescribed number of years and funding where only the interest is spent (endowment in perpetuity) as endowments. Distinctions between the two forms of endowment may be clarified by the use of the term time-limited endowment to describe the former and perpetual endowment to describe the latter.

¹⁴ Conditional grants were discontinued with the introduction of the revised Transfer Payment Policy and related Transfer Payment Directive in 2008. As explained in greater detail later in this chapter, departments now have the capacity to provide third parties with a multi-year funding commitment but that funding is provided in annual installments based on projected expenditures.

payment, the conditional grant provided to the foundation must not result in the acquisition by the Government of Canada of any goods, services or assets. Because the foundations are independent entities and not government departments or agencies, TBS policies, such as those governing compensation, travel and hospitality, and contracting for goods and services, do not apply to foundations.

David Good summarizes the role of the foundation mechanism as follows:

For the Department of Finance the key in trying to figure out what to do with the one-time year-end surplus was to find compatibility in its seemingly contradictory roles – one of guardian and the other of spender. As a spender, Finance needed the certainty of ongoing spending, and as a guardian, it needed the certainty of knowing that the ongoing spending had limits.

Enter the independent foundations. Under the general rubric of increasing the use of alternative service delivery arrangements, the Department of Finance searched for new and innovative ways by which one-time year-end money could be converted into ongoing expenditures. It found a method through the establishment of independent foundations, operating beyond government and governed by a board of directors with majority representation from outside government. ‘To transfer the money to the foundation and to book the expenditure in that year, we needed to introduce the legislation and to have signed the funding agreement with the foundation,’ explained a senior Finance official. Spenders and priority setters liked this arrangement because it allowed the government to flow

large amounts of year-end funding into major government priorities.

Financial watchdogs did not because it pressed up hard against important accounting principles. (2007, p. 165)

It should be noted that there is some lack of precision regarding the use of the term foundation. When the OAG wrote about this instrument in 1999, it described them as “non-profit, independent bodies that exercise discretion in disbursing (and often investing) non-recoverable, federal trust funds, such as the Canada Millennium Scholarship Foundation” (p. 22). In fact, the funds are not held in trust in any way, but are provided directly to the foundation entity. In 2002, the OAG’s description mentioned that foundations are at arm’s length from government, that governance is established through the non-profit structure of the foundations, that the board of directors and members of the corporation have subject matter expertise, that the government appoints a minority of both directors and members, and that the basic agreement between the government and the foundation is a funding agreement that is a legally binding contract (p. 8). In its 2005 backgrounder on the accountability of foundations, the Department of Finance had the following to say:

The term "foundation" has been used by both the government and the Auditor General to describe organizations that have received upfront federal assistance. A foundation is an independent, not-for-profit organization that serves a particular interest of its members or Canadians in a wide range of areas, such as research and development, education or the environment. Foundations can be created by separate legislation approved by Parliament or by individuals or organizations under the

Canada Corporations Act. A foundation may not always be a separate legal entity. It could also be a fund administered by a not-for-profit organization. (DoF, 2005)

In the guide to preparing departmental reports, TBS places more emphasis on the conditional grant aspect of the foundation instrument. In fact, TBS originally entitled this section as “Conditional Grants (Foundations)”. The description explaining this section actually merges the two ideas:

Conditional grants are transfer payments specifically approved by Parliament and made available to an organization at the beginning of a multi-year period, in the form of a lump sum, to cover expenses over a number of years. Since these organizations receive funding to be used over a number of years, departments are to report not only when the funding is provided but also throughout the life of the funding agreement. (TBS, 2004)

The introduction of conditional grants to foundations constitutes a major break from traditional government practices in three major areas: the accounting treatment of the funding; the extent of the delegation of responsibility for the achievement of federal policy objectives; and the limited accountability for the use of public funds (Aucoin, 2003).

The change in accounting treatment was straight forward but significant. This new mechanism permitted the government to transfer funding to the recipient organization and to record the transfer in the accounts of Canada in the year that the transfer was made even though the majority of the money would not be spent on its final

purpose, the policy objectives, for several years (OAG, 2002). As a result, the government was able to use the mechanism to fund identified priorities, reduce its fiscal balance at year-end, and avoid future pressures on federal finances.

The foundation mechanism also represents a significant break in organizational structure and ministerial control relative to the traditional mechanisms by which the government has sought to achieve public policy objectives (Aucoin, 2006). In general, governments have sought to achieve their objectives through the implementation of policy instruments administered by departments, or, in more extreme cases, through departmental or Crown corporations (OAG, 2002, p. 7) which, although structured like independent enterprises, are wholly owned by government and are ultimately accountable, through a minister, to Parliament. In comparison, foundations “are independent of ministerial direction and control” (Aucoin, 2006, p. 120). While the funding agreements establish some parameters for the use of the federal funding, particularly in the initial years of the mechanism's implementation, ministers had little ability to intervene in the foundations' activities during the term of the agreement.

In turn, the independence of foundations limits their accountability. In the cases of departments, departmental programs, and the activities of Crown Corporations, the government remains accountable to Parliament for the activities of the instrument or mechanism (Aucoin, 2003, p. 7). This is not true of foundations. In particular, although the grants are included in the main or supplementary estimates in the year in which they are provided, due to the up-front multi-year nature of the funding mechanism, conditional grants to foundations bypass the standard parliamentary budgetary process (Aucoin, 2003, p. 11). While there are other types of non-departmental entities which operate at

“arm’s length” from ministers and the government in Canada, foundations are a unique combination of autonomy, multi-year funding and limited accountability (Aucoin, 2003, p. 4). As stated by the OAG, foundations differ from more traditional mechanisms by placing public money outside of Parliament’s control (OAG, 2005, sec.4.24).

Organizational Forms in the Government of Canada

Although foundations only emerged in the late 1990’s, the Government of Canada has a history of using organizational structures other than ministries and departments. In 1998, Taylor and Warrack identified six categories into which state enterprises may fall. These categories were, in order of increasing autonomy: departmental, agency, special operating agency, proprietary, mixed enterprise, and investment management (1998, p. 525). Using a different typology, Aucoin considers Crown corporations operating in the marketplace as just one type of non-departmental government organization and identifies three other types of non-departmental forms in Canada which operate at “arm’s length” from ministers and the government. According to Aucoin, the first group of organizations is administrative adjudicating bodies working with the rights and obligations of individuals. The second group is public policy research and advisory organizations that provide advice on public policy issues, such as the Law Commission of Canada. The third group is organizations that allocate public funding for the arts and scientific research, such as the federal granting councils (2003, p. 4).

In describing the preceding groups of organizations, Aucoin emphasizes that, although they all have some degree of independent authority, they are fundamentally government organizations and are not independent of government. Ministers maintain an amount of authority and control over all these types of “arm’s length” organizations that

exceeds their control over independent foundations. Ministers appoint the boards and chief executive officers of these organizations; policy directives issued by government are binding on them; and their corporate plans and budgets are approved by the government and tabled in the House of Commons. All of these other organizations are accountable to ministers and, through ministers to the House of Commons (2003, p. 6-7).

Beyond these preceding non-departmental organizations operating at arm's length from government, Aucoin delineates a category of "quasi-public" corporations, a diverse group of entities grouped by the government under the title of "other corporate interests". These organizations share a number of characteristics including: "a government role in the creation of the corporation; establishment by way of legislation or under corporation law; government funding of the corporation in some fashion; government appointment of some board members; and, most importantly, "the absence of any formal accountability linkage"¹⁵ (2003, p. 8). As examples of these "quasi-public" corporations, Aucoin cites the Vanier Institute of the Family and the Canadian Law Information Council.

Aucoin notes that independent foundations differ from these quasi-public organizations in two important ways: they are not financed by annual appropriations; and they disburse public funds for purely public as opposed to "quasi-public" purposes (2003, pp. 8-9). Further, although they may report to Parliament, they are not being held to account. Aucoin argues that as annual appropriations give government the opportunity to review and to potentially discontinue funding on an annual basis, the absence of annual appropriations and their purely public purposes provide independent foundations with greater autonomy and less accountability than any previous government structures

¹⁵ Quoted by Aucoin from Canada, Royal Commission on Financial Management and Accountability. (1979). *Final Report*. Ottawa: Supply and Services Canada.

including the quasi-public corporations. In Aucoin's words "even though government ministers and officials often apply the expression "arm's length from government" to these foundations - an expression that properly describes the relationship of the government's research granting councils to ministers - these foundations, it needs to be repeated, are not at arm's length from government; they are removed from government altogether"¹⁶ (2003, p. 11).

As illustrated in Table 6 below, the OAG provided another framework for considering foundations in relation to other governmental and non-governmental forms in its 1999 examination of new governance arrangements. The OAG separated new organizational arrangements that were emerging at the time from the more traditional government entities of departments, agencies and Crown Corporations. It then subdivided the new organizational arrangements between those with direct ministerial accountability (special operating agencies and service agencies) from those that it identified as "new governance arrangements". These new governance arrangements were divided into collaborative models with other levels of government, the private and/or the voluntary sectors, where policy and operational decision-making and risk are shared among partners, and delegated arrangements where responsibility over program design, planning, management and delivery of federal functions was given to independent external bodies within a broad policy framework provided by the government. Among the delegated arrangements, the OAG also noted two distinct operating principles: non-profit, independent bodies that exercise discretion in disbursing (and often investing) non-recoverable, federal funds, such as the Canada Foundation for Innovation; and

¹⁶ As elaborated later in this chapter, subsequent changes to the rules governing independent foundations have strengthened ministerial authority over these entities.

independent entities that operate primarily along the lines of a business (usually corporations) but that use, pledge, or manage federal assets for a public purpose, such as the St. Lawrence Seaway Management Corporation (OAG, 1999, pp. 22-23). The Auditor General suggested that accountability to Parliament was in question with both categories of delegated arrangements, but was most concerned with foundations because they had received the vast majority of federal funds provided to delegated arrangements.

Table 6 Federal Approaches to Program and Service Delivery

Organizational Form	Key Features	Examples
Traditional Ministerial Accountability Arrangements		
Departments and Agencies	Federal entities reporting directly to a minister and subject to the administrative rules and regulations of Treasury Board and the Public Service Commission.	Transport Canada Statistics Canada Immigration and Refugee Board
Crown Corporations	Federal entities that have a board of directors, are involved in a federal public policy purpose and report through a minister to Parliament.	Export Development Corporation Canada Post Corporation Canadian Broadcasting Corporation
New Arrangements under Direct Ministerial Accountability		
Special Operating Agencies	Remains part of a federal department, reporting to a deputy minister.	Passport Office
Service Agencies	A federal entity with its own CEO reporting to a minister but with greater administrative autonomy than a department.	Canadian Food Inspection Agency Canadian Parks Agency Canada Customs and Revenue Agency
New Governance Arrangements		
Collaborative Arrangements	Partnering arrangements with other levels of government, the private and/or the voluntary sectors, where policy and operational decision-making and risk are shared among partners.	Labour Market Development Agreements Canada's Model Forest Program

Delegated Arrangements	Arrangements where the federal government confers discretionary authority and responsibility over program design, planning, management and delivery of federal functions to independent outside bodies, usually corporate boards of directors, within a broad strategic policy framework provided by the government.	Canada Foundation for Innovation Canadian Television Fund The St. Lawrence Seaway Management Corporation
-------------------------------	---	---

*Reproduced from (OAG, 1999, p. 23-8)

According to the KPMG evaluation of foundations, the rationale for delegated arrangements is rooted in NPM, which argued that public organizations would perform better if managers were given greater discretion and held accountable for results (TBS, 2007b, p. 15).

Government Organizations, New Public Management and the International Context

While the preceding analysis of independent foundations by the OAG situates them as part of a trend of innovations in governance arrangements in Canada, it is also useful to situate this use of non-traditional organizations to achieve government objectives, and more specifically the introduction of independent foundations, in an international context. Since the early 1970's, there has been an international trend towards privatization, deregulation, and the establishment of independent regulators (OECD, 2004, p. 5) and an associated increase in the number and type of non-traditional organizational structures utilized by governments. This trend has been closely associated with the rise of NPM, an international trend of public sector reform which advocates for a greater market orientation of government, including downsizing government by privatizing or at least commercializing the delivery of services and bringing private sector management practices to the public sector (Aucoin, 1995, pp. 2-3).

Many advocates of NPM believed that bureau maximizing public servants had leveraged their advantage in the principal-agent relationship to maximize their departmental budgets. As a result, they reasoned that the public sector had crowded out the private sector and excessive government control of the economy was limiting economic growth (Borins, pp. 182-3). Political leaders influenced by NPM supported a movement away from traditional organizational structures, creating a trend towards privatization and quasi-privatization that has been one of the hallmarks of this school of management (Hood, p. 3).

A comprehensive summary of the sweeping changes ushered in by NPM is provided by Charih and Rouillard who state that “the promoters of these reforms propose to re-define the role of the state and to reduce its size, eliminate the deficit, balance public expenditures, remove red tape, clear away obstacles to effective management, and focus the attention of public administration on client satisfaction. Furthermore, governments must find new ways of producing and delivering services by resorting to privatization, subcontracting, user-fees for public services, and partnerships with the various levels of government, volunteer organizations and private enterprise” (1997, p. 27).

New Organizational Forms Under NPM: Quangos

Quasi-autonomous non-governmental agencies or quangos are emblematic of the new forms that arose under NPM. According to Van Thiel, quangos are "organizations which as their main task, are charged with the implementation of one or more public policies, and which are funded publicly but operate at arm's length of the central government, without an immediate hierarchical relationship existing with a minister or a parent department" (cited in Bertelli, 2006, p. 241).

While noting that the variations in organizational form make it difficult to precisely categorize quangos, Bertelli identifies five different categories of quangos. First, there are *executive agencies*, which are separate agencies within a federated parent department. These agencies are responsible for and given broad discretion to provide specific services and are accountable to the parent department. Second are non-departmental *public bodies* which are not part of the government but are publicly funded through budgetary allocations and are responsible for implementing public policies as articulated in legislation and in the regulations of their parent departments. The third category is voluntary or charitable organizations contracted for the provision of services. Fourth are state-owned enterprises which may provide public services for profit. Finally, there are private-sector organizations which contract with the government to provide public services (2006, pp. 241-243).

According to Aucoin, independent foundations were a much more radical model of autonomization¹⁷ than that generally adopted under NPM (2006, p. 110), going far beyond the agencification undertaken as part of the NPM trend in countries such as Britain and New Zealand (p. 114). Similarly, there does not seem to be any evidence of an American example of a federally funded arm's length organization operating with an equivalent level of autonomy. Even the similarly named National Endowment for the Arts in the United States receives only annual appropriations.

New Public Management in Canada

While several authors have argued that NPM did not gain the same predominance in Canada as in the UK (Aucoin, 1995; Borins, 2002), there is little doubt that Canada

¹⁷ According to Bogt, "the autonomization of a public organization involves changes in its organization structure; it is a form of decentralization. In general, it means that elected politicians' direct control of certain tasks or activities diminishes."

was influenced by this broad trend towards public sector reform. The Mulroney and Chrétien governments of the 1980's and '90's both attempted public sector reform. The Mulroney government privatized several major Crown corporations, including Air Canada, Canadian National, and Petro Canada (Borins, 2002, p. 188). It also launched Public Service 2000, a major examination of possible public sector reforms, although it did not follow through on the recommendations from this initiative. The Chrétien government, hemmed in by economic imperatives, implemented Program Review from 1993 to 1998. This broad-based review of federal programs and services led to extensive program cuts, expenditure savings, and a 25 percent reduction in personnel (Borins, 2002, p. 188).

Following on Program Review, the government undertook a series of initiatives aimed at improving management practices across the federal government. The 1997 *Report of the Independent Review Panel on Modernization of Comptrollership in the Government of Canada* set out a vision to implement “modern comptrollership” in government. Modern comptrollership committed to go beyond traditional financial comptrollership to provide managers with “integrated financial and non-financial performance information, a sound approach to risk management, appropriate control systems and a shared set of values and ethics” (TBS, 2001). Echoing NPM's mantra of “letting the managers manage”, modern comptrollership advocates that “managers and financial specialists need to work in partnership to replace complex rules and regulations with simple, well-communicated principles and standards” (TBS, 2001). In 2000, Treasury Board released *Results for Canadians: A Management Framework for the Government of Canada*. This document positioned modern comptrollership as a key

priority for modernizing management in the Government of Canada (TBS, 2001). In line with the defining doctrines of NPM, *Results for Canadians* committed to: focusing on citizens; embracing a clear set of public service values; managing for results; and ensuring responsible spending (TBS, 2000c).

Alternative Service Delivery

The emergence of ASD in Canada in the 1990's follows the NPM trends of improving the quality and efficiency of government service delivery, and of questioning the traditional understanding of which public services should be delivered by ministries. "Alternative Service Delivery [ASD] entails the pursuit of new and appropriate organizational forms and arrangements, including partnerships with other levels of government and other sectors, in order to improve the delivery of programs and services" (TBS, 2002, Sec. 2.0). According to Borins, in comparison with the NPM initiatives undertaken in the United Kingdom, Australia and New Zealand, "the most distinctive organizational innovations in the Canadian public sector go under the rubric of alternative service delivery" (2002, p. 189). By 2002, TBS reported that six foundations established as shared governance corporations¹⁸ fell within its definition of ASD organizations (TBS, 2002).¹⁹

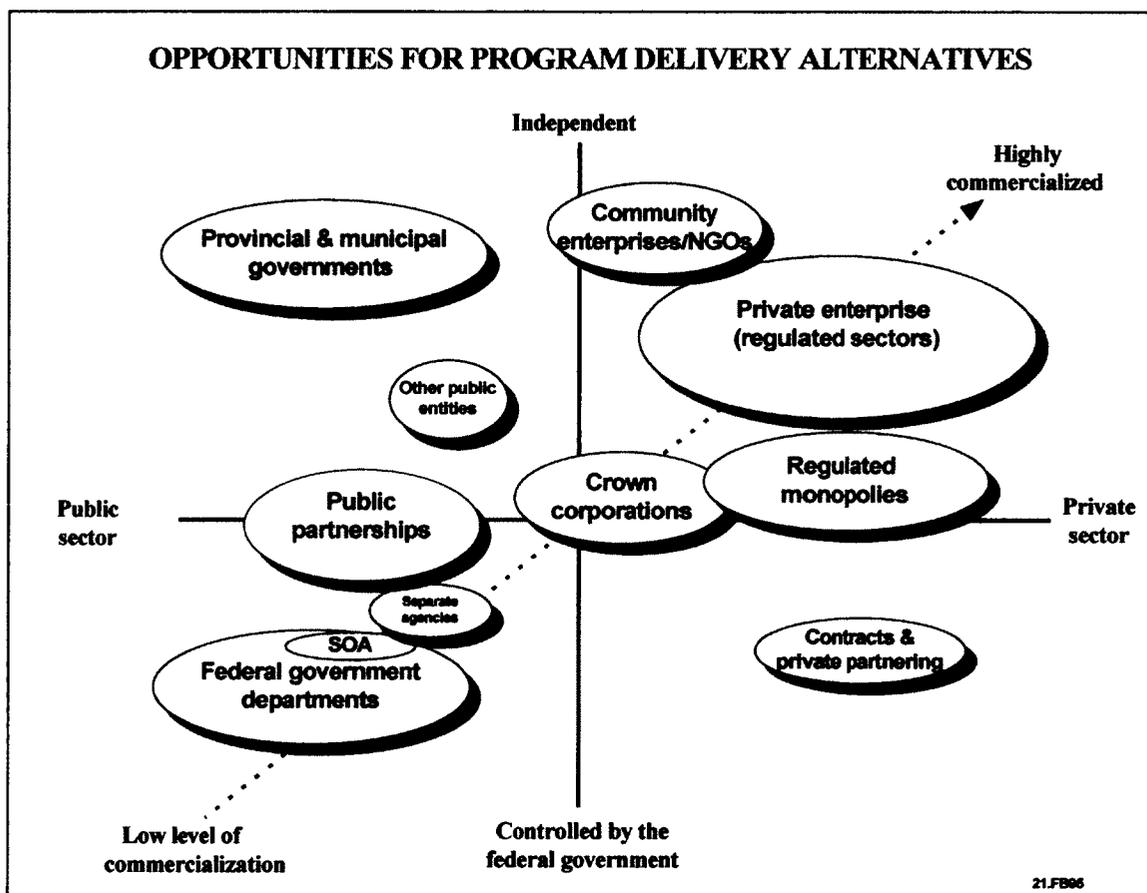
As depicted in Figure 2 below, ASD entities can be organized along three axes: the degree of independence versus government control; the extent to which they are public or private sector organizations; and the level of commercialization of the service

¹⁸ Shared governance corporations are defined by TBS as: "corporate entities without share capital for which Canada, either directly or through a Crown corporation, has a right pursuant to statute, articles of incorporation, letters patent, by-law or any contractual agreement (including funding or conditional grants and contribution agreements) to appoint or nominate one or more members to the governing body" (TBS, 2002).

¹⁹ The Policy on Alternative Service Delivery has been replaced by the Policy on Reporting of Federal Institutions and Corporate Interests to Treasury Board Secretariat Effective April 1, 2007 <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=12622§ion=text#3>

they provide. As independent, not-for-profit organizations that receive significant federal funding, foundations would be placed in the same area of the graph as community enterprises and non-governmental organizations although they could be judged to be more closely aligned with the public sector due to the large proportion of federal funding they receive and the extent of federal involvement in determining their public policy purpose or mandate.

Figure 2 Opportunities for Program Delivery Alternatives



TBS, Framework for Alternative Program Delivery, 1995, p.7

Alternative Mechanisms: Third Party Trusts and Program-Specific Transfers

Beyond the general trend of ASD, two other mechanisms – third party trusts and program specific transfers – merit separate consideration as potential alternatives to conditional grants to foundations to achieve federal objectives. For example, the Post Secondary Education Infrastructure Trust, which shares objectives with the Canada Foundation for Innovation in terms of targeting investments to improve Canada’s post secondary education infrastructure, is a particular application of a third party trust, a new federal instrument first introduced in 1999. Similarly, the Gas Tax Fund, which supports environmentally sustainable municipal infrastructure to help ensure cleaner air, cleaner water and reduced greenhouse gas emissions, shares similar objectives to the Green Municipal Fund and both transfer funding and responsibility for project approval to third parties; however, in the case of the Gas Tax Fund the third parties are provincial or municipal governments or municipal associations.²⁰

Third Party Trusts

The Post Secondary Education Infrastructure Trust was announced in Budget 2006 to “support critical and urgent investments to promote innovation and accessibility, particularly investments that will enhance universities’ and colleges’ infrastructure and equipment (e.g. modernizing classrooms and laboratories; updating training equipment), as well as related institutional services (e.g. enhancing library and distance-learning technologies)” (p. 83). It is, in fact, one of 23 third party trust funds established by the Government of Canada between 1999 and 2008 (DoF, 2008). Since 1999, the federal

²⁰ In comparison, the new Canada Employment Insurance Financing Board, which may appear to share characteristics with foundations (an independent board of directors and the expert staff needed to manage the financing of the EI program) is a Crown corporation that reports to the Minister of Human Resources and Social Development.

government has transferred approximately \$27 billion to provinces and territories through third party trust funds with individual trust amounts ranging from \$120 million to \$4.25 billion (DoF, 2008).

Trusts are established when one party, the settlor, transfers legal ownership of property to another party, the trustee, for the benefit of a third party, the beneficiary. In the case of trusts used to transfer federal funds to the provinces and territories, the federal government is the settlor, the provinces and territories are the beneficiaries, and an independent financial institution is the trustee (OAG, 2008, p. 11).

While conditional grants were provided specifically to entities operating at arm's length from government and created either through legislation or the *Canada Corporations Act*, the Government of Canada has only used third party trusts to transfer funding to provincial and territorial governments. They have not been used to fund non-governmental bodies. The trusts have frequently been established in areas of provincial jurisdiction, and are often associated with discussions on the appropriate federal share of expenditures in a certain sector or policy area. For example, five trusts announced in Budget 2006 were all presented as part of the government's commitment to restore fiscal balance with the provinces and territories. These trusts covered the policy areas of post secondary education, public transit, affordable housing, Aboriginal housing, and Northern housing. Similarly, the first eight trusts created by the federal government and introduced during the years from 1999 through 2004 were all intended to increase the federal government's contribution to health care funding, either as direct supplements to the Canada Health and Social Transfer or as targeted health funds, such as the Medical Equipment Trust and Wait Times Reduction Fund.

In the case of third party trusts, federal control over the use of the funds is extremely limited. Despite the independence of the foundations and the limits of accountability under conditional grants, the funding agreements that govern the government grants to the foundations create a binding legal contract that documents the purpose of the grant. In comparison to conditional grants, third party trusts are not governed by contracts between the government and the provinces and territories. Provinces and territories must confirm their understanding of the purposes of the trust in writing in order to become eligible to receive the trust funding. However, once the provinces and territories have established their eligibility for the trust, they become accountable in principle to their own residents, not to the federal government, for the use of the funds. The federal government can use public and private communications to pressure the provinces and territories to spend the funds for the intended federal purposes, but the federal government does not have any legal recourse if provinces and territories choose to spend the money on different priorities than those targeted by the trust (OAG, 2008). More recently, federal trust announcements have included operating principles which outline the federal objectives for the use of the trust funding and note that provinces and territories are accountable to their residents for the use of the funds. The operating principles can help to exert public pressure for the appropriate use of the funds, but they are not legally binding (OAG, 2008).

Trusts are established for a minimum of two years, but, provided certain conditions are met, they are expensed by the federal government in the year that they are announced. The Government of Canada establishes a notional allocation of the funding across fiscal years for the trust, but provinces and territories have the flexibility to draw

down and use the funds according to their individual priorities and timelines (DoF, 2008). Accordingly, as opposed to a direct transfer which immediately enters provincial accounts, the provinces control the timing of when the funding officially enters their accounts, giving provinces and territories greater flexibility to manage their financial positions (22, 29/04/2011).

Program-specific Transfers

The Gas Tax Fund (GTF) is a federal transfer payment program administered by Infrastructure Canada. Much like the Green Municipal Fund (GMF) administered by the Federation of Canadian Municipalities (FCM), the GTF is designed to provide funding to municipalities to support environmentally sustainable municipal infrastructure that will contribute to cleaner air and water, and reduced greenhouse gas emissions. Created as a five-year initiative, it was announced in 2008 that the GTF would become a permanent \$2 billion per year program.

According to the TBS Directive on Transfer Payments, the GTF fits under the category of Transfer Payments to Other Orders of Government. Because it attaches certain conditions to the transfer, it is a contribution program (as opposed to a grant which does not contain conditions) and is sometimes referred to as a conditional transfer.

The GTF is allocated to provinces and territories on a per capita basis with an adjustment for less-populated jurisdictions to recognize their higher per capita costs, as well as increased costs associated with infrastructure in Northern and remote areas. Annual funding under the GTF is provided through a portion of federal gas tax revenues. The GTF transfers up-front funding to the signatories of the funding agreement, usually a

province or territory.²¹ These signatories then flow the money to municipalities and other eligible recipients. In some cases the initial recipients have a role in approving capital plans and projects while in others the municipal recipients assume sole responsibility for selecting projects. The Government of Canada has no role in the selection or approval of projects (Infrastructure Canada, 2009).

Through the funding agreements, the federal government imposes significant accountability requirements on the initial recipients of the funds. As an example, the funding agreement between the Government of Canada and Alberta includes a five-year funding schedule to be paid in semi-annual installments. The agreement also: lists operating principles that include respect for jurisdiction and a commitment to transparency and reporting; stipulates that funding is essentially to be allocated to municipalities on a per capita basis; defines eligible projects; details reporting and accountability requirements for the province and municipalities; and includes a template Memorandum of Agreement for use between the province and individual municipalities (Infrastructure Canada, 2005).

As a condition for receiving funding, each secondary recipient must enter into a funding agreement with the initial recipient which mirrors the reporting requirements imposed upon the initial recipient. Canada and the initial recipients also commit to complete joint evaluations with the results to be made public and Canada further commits to complete a national evaluation (Infrastructure Canada, 2009, p. 2).

According to the OAG, in the 2006–07 fiscal year, the federal government transferred just over \$5 billion to provinces and territories through program-specific

²¹ In B.C. and Ontario, municipal associations are responsible for managing the funding. The City of Toronto is also a signatory to a funding agreement with the Government of Canada under the program.

transfers such as the GTF (OAG, 2008, p.8). The Labour Market Agreements and Labour Market Development Agreements between Human Resources and Skills Development Canada and individual provinces and territories are two additional examples of this type of transfer program. These agreements provide provinces and territories with funding and flexibility to design and deliver labour market programming according to their specific needs in exchange for adhering to accountability and reporting requirements contained in the agreement.

In comparison with the GTF, the GMF provides below-market loans and grants, as well as education and training services, to support municipal initiatives that improve air, water and soil quality, and protect the climate. Eligible projects include community plans, feasibility studies and capital projects. In addition to its environmental objectives, the Budget 2000 announcement of the GMF emphasized its repayable loans component and its ability to leverage private sector investments. Rather than an equitable geographic distribution of funding that is based on a per capita allocation, the GMF attempts to award funding to innovative projects that support its objectives, and to disperse funding across its five priority sectors: brownfields, energy, transportation, waste and water.

Stakeholder pressures may have been a consideration in the choice of instruments to achieve the objectives of the GTF and the GMF. Both initiatives were part of the federal government's 2005 New Deal for Cities and Communities, a broader effort intended to help cities address challenges of environmental, economic, social and cultural sustainability. The GTF provided funding for infrastructure projects in municipalities, but placed the distribution of that funding directly in the hands of provincial governments, thereby supporting positive federal-provincial relationships while

maintaining some federal profile in association with the funds. In the case of the GMF, Budget 2000 cites multi-stakeholder efforts to develop a National Implementation Strategy for Climate Change as the catalyst to its creation. Funding for the GMF bypassed provincial governments and put money more directly in the hands of municipalities, but due to the arm's length relationship with the FCM, the GMF minimized federal intervention in provincial jurisdiction and eliminated federal involvement in the selection of specific projects.

Increasing criticism and restrictions on conditional grants may have contributed to the decision to use a program specific transfer when the GTF was implemented in 2005. The chapter of Budget 2000, "Making Canada's Economy More Innovative", which announced the GMF, also included a commitment to "consult with other orders of government and the private sector to reach agreement on a creative and fiscally responsible multi-year plan to improve provincial highways and municipal infrastructure in cities and rural communities across Canada" (p. 121). The following year, Budget 2001 announced the government's intention to create the Strategic Infrastructure Foundation which would work with provincial and municipal governments to support large infrastructure projects. However, the government later backtracked from its original intention of creating a Strategic Infrastructure Foundation and, instead, implemented this initiative as a transfer payment program (OAG, 2002, p. 3), the Canada Strategic Infrastructure Fund, under the responsibility of Infrastructure Canada.

The GTF is a transfer payment program like the Canada Strategic Infrastructure Fund although the GTF cedes a greater degree of responsibility to the provinces. In comparison, the Canada Strategic Infrastructure Fund supports large-scale regional and

national infrastructure priorities which are jointly funded with provincial and, if applicable, other partners. Federal participation is capped at 50 percent of project costs.

While the decision to use a transfer payment program to support municipal infrastructure may suggest that foundation funding was falling out of vogue, Budget 2005, which announced the GTF, also included a commitment of an additional \$300 million for the GMF. However, the funding provided to the GMF was significantly less than the GTF, which was initially announced as \$5 billion over 5 years and, in 2008, was transformed to a permanent program with funding of \$2 billion per year.

In its study of federal transfers, the OAG noted several reasons provided by government officials for transferring funding to provincial and territorial governments through mechanisms such as trust funds that impose limited or no conditions on the use of funds. Their reasons emphasized the capacity of provincial and territorial governments to manage matters in their own jurisdictions, including their ability to determine program priorities and appropriate responses (OAG, 2008, p.16). In comparison, the OAG reported that government officials provided the following reasons as key factors influencing the federal government to implement a conditional transfer: to ensure that recipients use the funds for specific purposes; to encourage uniformity of services across the provinces and territories; and to receive information on results achieved (OAG, 2008).

The decision not to proceed with the Strategic Infrastructure Foundation, and the concomitant concept of changing attitudes towards foundations more generally, lead naturally to the examination of the evolution of federal policy on foundations that is undertaken in the next section of this chapter.

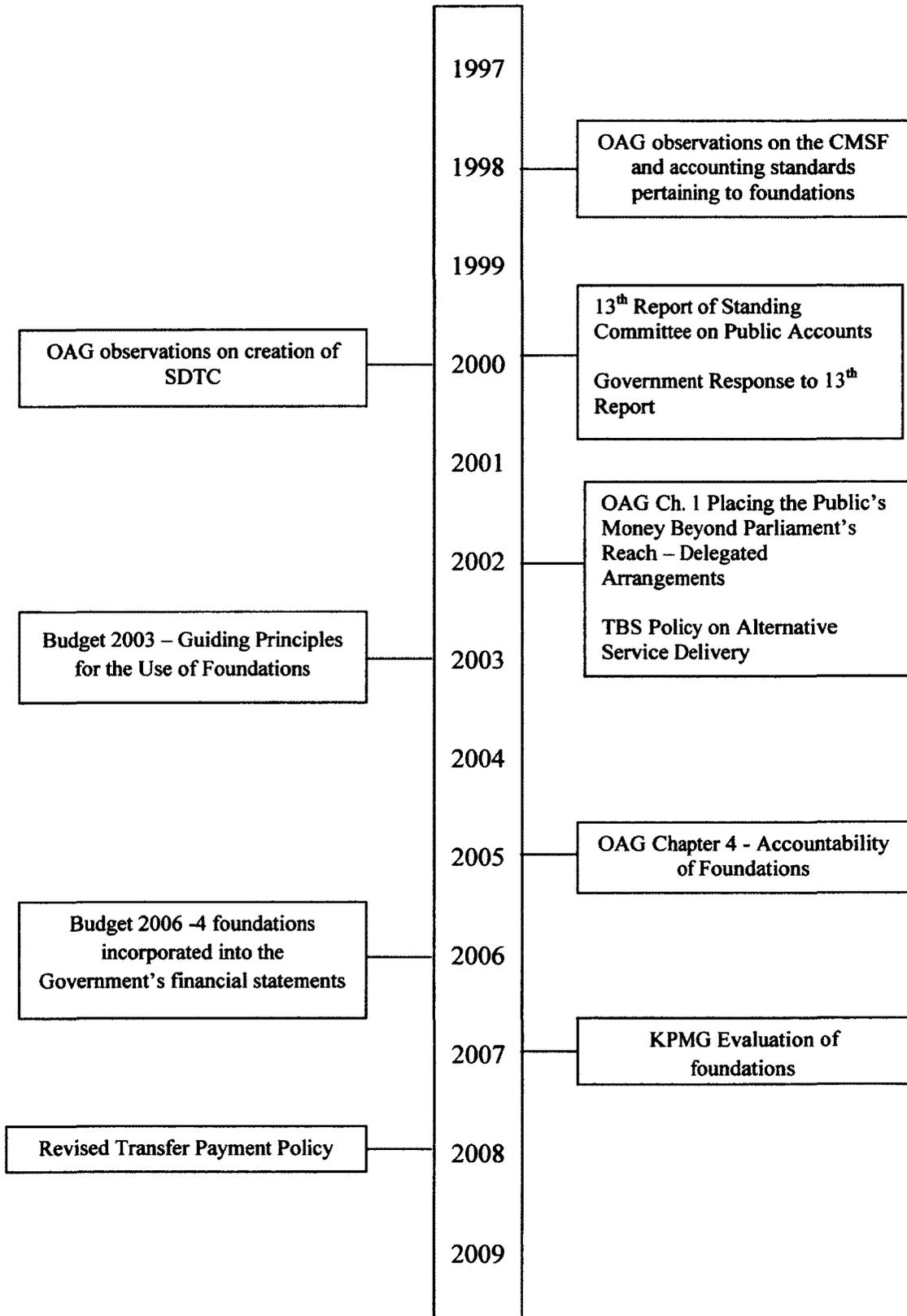
Evolving Federal Policy on Foundations

There has been a gradual evolution of federal policy regarding the use of independent foundations. The public elaboration of this policy has been prompted largely by the scrutiny of the OAG which has raised concerns about the government's use of independent foundations almost since their inception. These concerns have focused on two issues: the government's accounting treatment of foundations; and the limits of their accountability to Parliament and to the public. As a result, the changes in policy regarding foundations have generally increased the clarity of the administrative requirements of conditional grants to foundations and increased the accountability measures imposed upon foundations. Figure 3 below depicts the major reviews of foundations and government responses chronologically.

The Government's Accounting Treatment of Foundations

Documents obtained from the Department of Finance through an access to information request indicate that the department had considered the perspective of the Auditor General (AG) in the development of the foundation mechanism. One briefing note states that the "AG will want to be satisfied that: the federal government is financially independent of the Foundation i.e. does not control funding decisions nor receives financial benefits; the "economic event"/policy output occurs before the end of the fiscal year (i.e. the event is the signing of the agreement with the Foundation and not the investments in Canada's research infrastructure)" (DoF, Sept. 25, 1996, p. 98).

Figure 3 Timeline of Major Reviews of Foundations and Government Responses



Despite Finance's attention to the issue, the AG's April 1998 report stated the opinion that the Government of Canada's accounting treatment of the funding it provided to the CFI and the Canada Millennium Scholarship Foundation (CMSF), respectively \$800 million and \$2.5B, was a departure from both objective accounting standards and the government's own stated accounting policies. In fact, later in 1998, concerns with the government's accounting treatment of the payment to the CMSF led the AG to place a reservation on the government's financial statements for the 1997-98 fiscal year. The AG specifically objected to the government's decision to record the payments to these two entities in the fiscal years in which their creation was announced (respectively 1996-97 and 1997-98) despite the fact that the creating legislation and parliamentary authority for the payments did not receive Royal Assent until the following fiscal year. Further, the signing of the funding agreements and the transfer of funds to the organizations also did not take place until the year after they were announced. According to the AG, this treatment was in direct contradiction to two key elements in the government's own accounting policy: that for a transfer payment to be included in the government's financial results a recipient must legally exist; and that the terms of a contractual transfer agreement must be fulfilled before funds are transferred to a recipient (OAG, 1998b).

Concerns with the government's accounting treatment of foundations eventually led the OAG to question whether foundations were truly at "arm's length" from the government, based on the following considerations.

- Most foundations are legally obliged to achieve government policy objectives as their prime mandate.

- The chairperson and a minority of the board of directors are, in many cases, appointed by the Government (in some cases, though, the minority is a slim one- 7 of 15 directors). There may also be significant Government influence in the appointment of the remaining directors.
- In some cases, the Government created the foundations through its own legislation and all or most of their funding comes solely from the Government.
- The legislation often prescribes things like the location of the foundations' head office, prohibitions on borrowing money and application of an official languages policy to the foundations as though they were federal institutions.
- In some foundations not created by legislation, the Government selects the initial board members and drafts the foundations' letters patent and by-laws; changes to those by-laws must be approved by the Government.
- In most cases, detailed funding agreements between the Government and the foundations establish what criteria the foundations must use for support to recipients, how the funds are to be invested, and how any remaining funds are to be distributed in the event of dissolution.
- In many cases, there is a clear Government presence in the promotion and marketing of significant grants made to recipients. (OAG, 2001a, 1.32-1.33)

Accountability Concerns

The OAG first raised public concerns with respect to the accountability of independent foundations in its December 1997 report following the creation of the CFI. At that time, the OAG noted that the legislation creating the CFI required it to prepare an annual report of its activities, including audited financial statements, which the Minister of Industry would table in Parliament, but that there was no requirement for the CFI to report on its performance more broadly - in other words, on the results it achieved with the grants it made (OAG, 1997). Subsequently, the OAG's concerns with the government's financial treatment of foundations and their lack of accountability for the use of public funds were highlighted in three chapters of OAG reports that were published between 1999 and 2005.

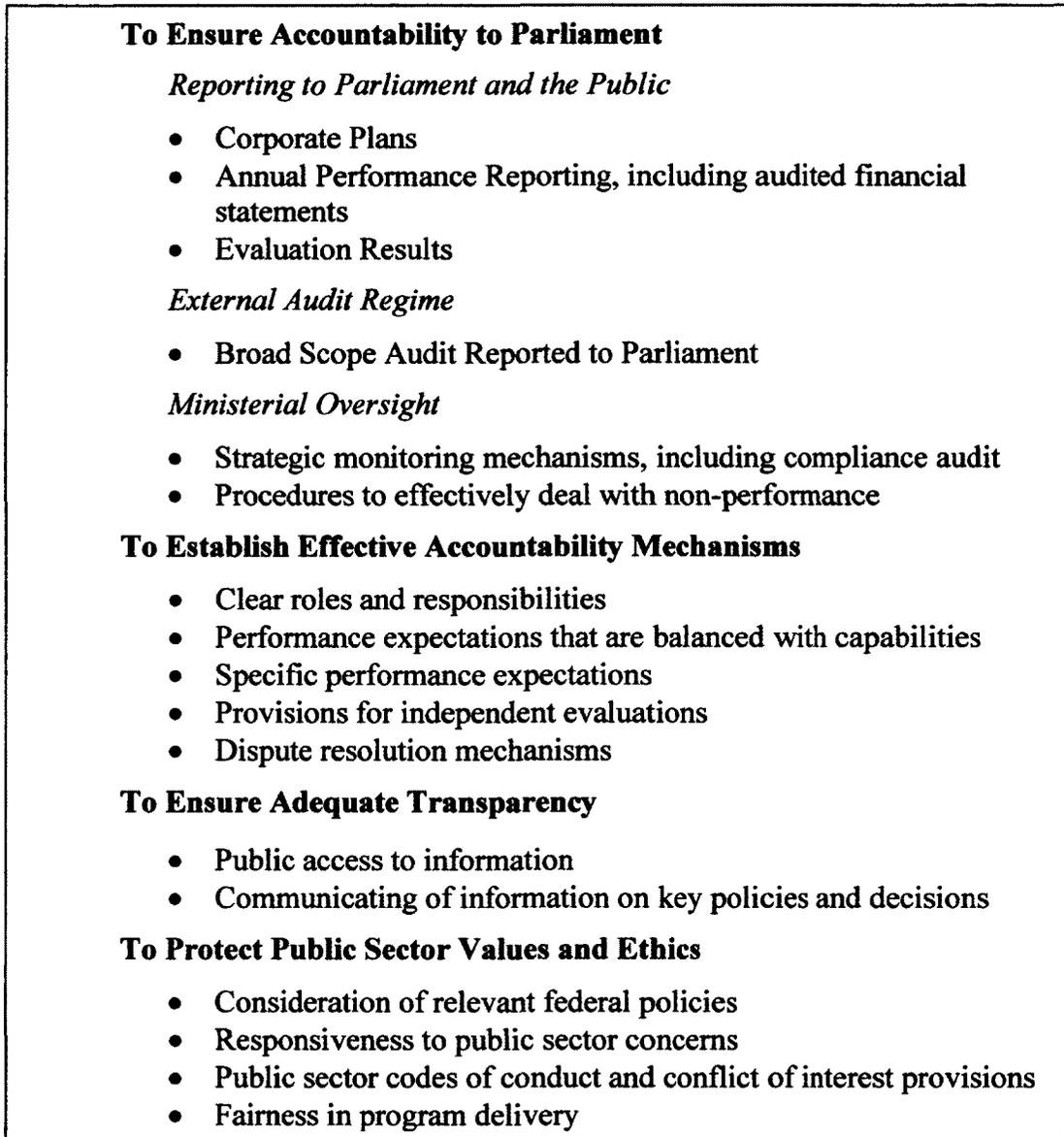
As part of its November 1999 report, in a chapter entitled "Involving Others in Governing—Accountability at Risk", the OAG pronounced the reporting requirements of foundations insufficient to ensure adequate accountability. While the OAG noted that there were exceptions, in general it found that: objectives were not clearly linked to performance expectations; where targets, measures and indicators were identified they focused on outputs rather than outcomes; requirements for performance reporting were lacking or imprecise; and only two foundations, the CFI and the CMSF, undertook reporting to Parliament. The OAG also objected to the absence, in most cases, of any mechanism for the government to intervene to require modification to the foundations' operations during the period of the funding agreement or to deal with non-performance. As well, it noted that there were frequently no provisions regarding the treatment of any funds remaining upon termination or wind-down of a foundation and, even when

provisions were made, they did not provide for the funds to be returned to the government. Based on these identified shortcomings in accountability, the OAG recommended that foundations be subject to value-for money audits and public sector standards of access to information and conflict of interest (OAG, 1999).

In fact, the concerns of the OAG would not have come as a complete surprise to the government as evidenced by the recollection of one interviewee to this dissertation of a meeting between the Auditor General and an advisor to the Prime Minister regarding the CMSF prior to its creation. In the words of this individual, “Desautel was saying this is all very well and good, but the reality is that you are making this so arm’s length now that this money, the spending of this money, is no longer accountable to Canadians. It has basically been handed over to a third party who is going to spend the money on its own and Parliament has no opportunity to oversee where all these dollars are going, and [name of advisor]’s point was, of course it’s accountable, the government is accountable for this money because we, the Government of Canada, appropriated this to this third party and if they screw up then Canadians are going to tell us that we should be held accountable for the poor management of these dollars and we will pay for it at the ballot box” (12, 21/10/2010).

In light of continuing concerns regarding the accountability of foundations, in a chapter entitled “Placing the Public's Money Beyond Parliament's Reach”, the April 2002 Report of the Auditor General proposed a framework for new governance arrangements. This framework is reproduced in Figure 4 below.

Figure 4 OAG Framework for New Governance Arrangements



Source: OAG, 2002 *Chapter 1—Placing the Public's Money Beyond Parliament's Reach*, p. 10

In February 2005, the OAG devoted a chapter exclusively to the accountability of foundations. In this chapter, the OAG reported that, despite some improvements in reporting to Parliament and the public, overall progress towards increasing the accountability of foundations was unsatisfactory. According to the OAG, ministerial oversight and performance information remained insufficient. The OAG again called for

the provision of performance audits to Parliament. The OAG also noted that TBS's Transfer Payment Policy did not define conditional grants, and continued to express concern with the government's decision to record its payments to foundations as expenses in the year they were made, recommending that TBS review the use of exemptions to the Transfer Payment Policy that allow payments to be made to foundations in advance of need (s. 4.61-4.62).

At the time of the OAG's 2005 report, the Public Sector Accounting Board (PSAB) had just released new accounting standards that provided guidance for determining government control of an organization. PSAB identified a number of factors to be considered in determining whether an entity was under government control. Principal among these factors are: whether the government has the power to unilaterally appoint or remove a majority of the members of the organization's governing body; whether the government has ongoing access to the assets of the organization; whether the government holds the majority of the voting shares; and whether the government has the unilateral power to dissolve the organization and thereby access its assets and become responsible for its obligations (PSAB, p. 12).

While PSAB identified the four factors above as "persuasive" indicators of control, it also identified another group of indicators which it viewed as less conclusive of control, but which it stated could be viewed as potential signals of control when taken into consideration with other aspects of a government's relationship with an organization. These indicators were: the government provides significant input into the appointment of members of the organization's governing body by appointing a majority of those members from a list of nominees provided by others or by being involved in the

appointment or removal of a significant number of members; the government can appoint or remove the CEO or other key personnel; the government establishes or can amend an organization's mission or mandate; the government approves the organization's business plans or budgets and requires amendments; the government establishes borrowing or investment limits or restricts the organization's investments; and the government restricts the revenue-generating capacity of the organization, notably the sources of revenue. Along with the standards, PSAB directed that payments to organizations deemed to be controlled by the government could not be recorded as expenses in the government's accounts (PSAB, pp. 13-14).

Evolving Federal Policy: The Government's Response to the OAG

Initially, the government resisted acting upon the concerns raised by the OAG and others. For example, following the OAG's 1999 report on new governance arrangements, the TBS response noted that it was undertaking a review of its ASD framework, but that it believed that existing reporting mechanisms largely addressed the concerns raised by the OAG (OAG, 1999).

Budget 2003 Commitments

However, presumably prompted by continued criticism from the AG and others, Budget 2003 provided a measure of transparency on the use of foundations. The Budget announced a set of principles which would guide the government in future decisions regarding the use of a foundation to achieve its policy objectives and a new set of policies to strengthen accountability. These principles follow.

- Foundations should focus on a specific area of opportunity, in which policy direction is provided generally through legislation and/or a funding agreement.

- Foundations should harness the insight and decision-making ability of independent boards of directors with direct experience in and knowledge about the issues at stake.
- Decisions by foundations should be made using expert peer review.
- Foundations should be provided with guaranteed funding that goes beyond the annual parliamentary appropriations to give the foundations the financial stability needed for the comprehensive medium- and long-term planning that is essential in their specific area of opportunity.
- Foundations should have the opportunity and hence the ability to lever additional funds from other levels of government and the private sector. (DoF, 2003, p. 179-180)

The policies to improve the accountability of foundations included: 1) assuring that the establishment and funding of foundations is adequately reviewed by Parliament; 2) obtaining parliamentary approval of purpose and funding through direct legislation for those foundations that are significant either from a policy or financial perspective (\$100 million or more); 3) ensuring that the use of foundations respects the requirements of Treasury Board's Policy on Alternative Service Delivery; 4) requiring foundations to provide annual corporate plans including planned expenditures, objectives and performance expectations relating to the federal funding to the responsible Minister and making summaries of these plans available to the public and to parliament; 5) for foundations created through legislation, tabling of annual reports in Parliament by the responsible Minister; 6) situating the expected and achieved results of foundations within

the overall plans and priorities of the relevant department and including these in departmental *Reports on Plans and Priorities*, and *Performance Reports*, respectively; 7) requiring foundations to conduct independent evaluations, and to present these to the responsible Minister and make them public; and 8) provisions for independent audits of compliance with funding agreements, for intervention by the responsible Minister in the event of suspicion of significant deviations from the terms of the funding agreement, dispute resolution mechanisms, and recovery of unspent funds in the event of wind up. The government also committed to consult with existing foundations on the possibility of making these changes to existing funding agreements (DoF, 2003, pp. 180-181).

Following on the 2003 commitments, the *Budget Implementation Act, 2005* included legislative amendments to provide the AG the authority to audit the use of federal funding by not-for-profit organizations that have received at least \$100 million over five consecutive fiscal years. This authority included auditing for compliance, performance (value-for-money) and the environmental impacts of expenditures (TBS, 2005).

Review Against PSAB Standards of Control

The government made another significant concession with respect to its management of foundations when in 2005, following the urging of the OAG and the Standing Committee on Public Accounts, it undertook a review of 15 major foundations²² against the newly established PSAB standards to determine which, if any, qualified as

²² The 15 major foundations are : Canada Foundation for Innovation, Canada Millennium Scholarship, Canada Health Infoway, Genome Canada, Aboriginal Healing Foundation, Green Municipal Investment Fund, Canadian Health Services Research Foundation, Pierre-Elliott Trudeau Foundation, Canada Foundation for Sustainable Development Technology, Canadian Foundation for Climate and Atmospheric Sciences, Clayoquot Biosphere Trust Society, Forum of Federations, Pacific Salmon Endowment Fund Society, Canadian Institute for Research on Linguistic Minorities, and Frontier College Learning Foundation.

being controlled by the government. Following this review, the government incorporated the revenues and expenses of four foundations (the Canada Foundation for Innovation, the Canada Millennium Scholarship Foundation, Sustainable Development Technology Canada, and the Aboriginal Healing Foundation) in its financial statements (DoF, 2006). The government also restated previous financial periods to include the assets, liabilities, revenues, and expenses of these four foundations in its financial statements, leading to a decrease of \$5.5 billion in the federal debt as at March 31, 2005 (DoF, 2006, p. 58). At the same time, the government maintained its commitment to the use of foundations, noting “the Government will retain the use of foundations as an important policy tool on the same governance principles. The independence, financial stability and focused expertise of foundations allow them to address specific challenges in a highly effective manner. Foundations have become important vehicles for implementing policy, particularly in areas such as research and development, where expert knowledge, third-party partnerships and peer review are especially important” (DoF, 2006, p. 58).

The Federal Accountability Act

The accountability of certain foundations was further increased with the *Federal Accountability Act* passed in December, 2006. A broad-based legislative measure and associated action plan intended to help strengthen accountability and increase transparency and oversight in government operations, the *Federal Accountability Act* included provisions to bring five foundations under the *Access to Information Act*. These foundations were: the Canada Foundation for Innovation, the Canada Foundation for Sustainable Development Technology, the Canada Millennium Scholarship Foundation,

the Asia-Pacific Foundation of Canada, and the Pierre Elliott Trudeau Foundation (TBS, Feb. 22, 2007).

The 2008 Transfer Payment Policy

In 2008, TBS released a revised Transfer Payment Policy (TPP) and associated Directive on Transfer Payments that seem to respond to the OAG's 2005 concern that the earlier TPP failed to define the conditional grants used to fund foundations (OAG, 2005). The 2008 TPP covers the design, delivery and management of transfer payments to third parties, including a specific section on the provision of "upfront multi-year funding" that corresponds to the funding previously referred to as conditional grants. The new policy includes many of the points for which the Auditor General had advocated in the preceding years.

The 2008 TPP Directive requires that up-front multi-year funding of \$50 million or more, which is not provided as a perpetual endowment be paid as annual payments on the basis of the recipient's cash flow requirements (sec. 6.6.2).²³ Additional requirements for the provision of up-front multi-year funding in the 2008 directive include: annual corporate plans; audited financial statements; performance results; independent evaluations; performance and compliance audits; conflict of interest and code of conduct policies; public access to information relating to the use of funding; a dispute resolution mechanism; and the repayment of assets to the Government of Canada on wind-up. The Directive also requires that multi-year funding agreements provide the relevant minister

²³ The Directive also includes a provision that preserves the flexibility for departments to provide a grant of up to a maximum of \$10 million in one-time up-front multi-year funding to be spent over a fixed number of years, (i.e. resembling the previous conditional grant mechanism). A TBS official indicated that this provision preserved departmental flexibility to provide organizations with funding in a single year when they had the funding available rather than relying on annual appropriations (22, 29/04/2011).

the right to: undertake evaluations and recipient audits as deemed necessary; table the recipient's annual summary corporate plan in Parliament; and intervene in the case of significant deviations from the terms of the funding agreement. Finally, the Directive includes requirements for the recipient to make records and information available to the Auditor General of Canada when requested and to permit the government to include the organization's financial affairs and resources in the government's financial statements (TBS, 2008b). See Appendix E for the complete text of the appendix on multi-year funding included in the 2008 Directive.

Table 7 provides a summary of policy pronouncements and changes in the federal government's treatment of foundations between 2003 and 2008.

Table 7 Evolution of Elaboration of Federal Policy on Foundations

Milestone	Policy Announcements or Commitments
Budget 2003 (February)	<p>Foundations should:</p> <ul style="list-style-type: none"> • focus on a specific area of opportunity, with policy direction through legislation and/or a funding agreement; • have independent boards of directors with direct experience in the subject; • use expert peer review for decision-making; • have guaranteed multi-year funding; and • leverage funds from other levels of government and the private sector. <p>Committed, on a go forward basis, to:</p> <ul style="list-style-type: none"> • parliamentary review of the establishment and funding; • parliamentary approval of purpose and funding of legislation for those foundations of \$100 million or more; • adhering to Treasury Board's Policy on Alternative Service Delivery; • requiring annual corporate plans; • tabling in Parliament Annual Reports of foundations created through legislation; • including foundations in annual departmental reports; • requiring independent evaluations and making these public; and • independent compliance audits, intervention in the event of suspicion of significant deviations from the terms of the funding agreement, dispute resolution mechanisms, and recovery of unspent funds in the event of wind up.

Budget 2005	Granted the Auditor General authority to undertake compliance and value-for-money audits of foundations that have received at least \$100 million over five years.
Budget 2006	The Canada Foundation for Innovation, the Canada Millennium Scholarship Foundation, the Sustainable Development Technology Canada, and the Aboriginal Healing Foundation included in the government's financial statements.
2008 revised Transfer Payment Policy (TPP) and Directive on Transfer Payments released	Explicit policy on multi-year funding is incorporated into the TPP. Up-front multi-year funding of \$50 million or more, which is not provided as a perpetual endowment, is to be paid as annual payments based on cash flow. Lists specific requirements to be included in funding agreements between the federal government and recipients of multi-year funding, including: previously elaborated accountability requirements; conflict of interest and code of conduct policies; public access to information relating to the use of funding; a dispute resolution mechanism; repayment of assets to the Government of Canada on wind-up; requirements for the recipient to make records and information available to the Auditor General; and requirements to permit the Government to include the organization's financial affairs and resources in its financial statements.

Mandatory Reporting

As documented above, in the early years of implementation of the foundation instrument there was limited publicly available information on government policy regarding foundations and no simple means to track all of the federal investments in foundations.²⁴ The efforts of the OAG to analyze the use of this policy instrument and to hold the government to account were critical to assembling a comprehensive account of the instances of foundation funding for this dissertation. In particular, the Budget 2003 commitment to include foundations in annual departmental reports - the *Reports on Plans and Priorities* (RPP) and *Departmental Performance Reports* (DPR) - finally led to a periodic assembly of information on foundations. This regular compilation is the

²⁴ The OAG's 1999 report noted that the government could not provide the OAG with an inventory of Alternative Service Delivery arrangements, nor of the number of new governance arrangements implemented under ASD, leading the OAG to undertake its own government-wide survey to ascertain the use of these mechanisms (p. 23-10).

“foundation” for the information in the next section of this chapter, which attempts to provide an overview and comparative analysis of the forty entities that received foundation funding from the Government of Canada. Appendix C provides basic information on the mandate and funding of all forty organizations.

Overview of Existing Foundations

The guide to preparing DPRs prepared by TBS for the 2003-04 fiscal year noted that departments were required to report on the significant results achieved by foundations and situate these results within the department’s overall results, as well as including any significant findings from independent evaluations of foundations. Conditional grants to foundations were also required to be included in departmental *RPPs* beginning with the following fiscal year (2004-05). In the first year of reporting, the instructions provided by TBS were broad with departments being directed to “comment on the purpose of the foundation, the amount and timing of funding provided, the projected use of funds, and the results [they] expect to achieve” (TBS, 2004, p. 34).

The inclusion of conditional grants in departmental performance reports increased transparency in this area by ensuring that basic tombstone information on the grants was assembled on an annual basis. However, compilation of Appendix C of this dissertation revealed some of the limitations of this information. First, the information tends to emphasize the expected results to be achieved from the grant rather than historical information on the grant(s) or the organization. Further, the manner in which departments choose to report is not always consistent. For example, in cases where multiple grants have been provided to a foundation, departments may have chosen to treat

all of the funding as a lump sum, noting only a single start and end date or, alternatively, they may have chosen to include only the funding currently in effect. As another example, the Department of Foreign Affairs and International Trade did not include the required information on foundation funding in its *RPP* until the 2008-09 edition despite implementing two applicable conditional grants in the spring of 2005. In contrast, two organizations listed by departments as foundations that received conditional grants, the Perimeter Institute and the Prince Rupert Port Authority, may not technically qualify as belonging to this category of policy instrument. Industry Canada included the Perimeter Institute in its 2008-09 and 2009-10 reporting on conditional grants although funding to the Institute was provided on an annual basis following a five-year commitment by the government in 2007. This does not meet the definition of a conditional grant as providing funding to third parties for a multi-year period in advance of need. Similarly, Western Economic Diversification included funding to the Prince Rupert Port Authority as a conditional grant in its 2008-09 *RPP*. In this case, although the initial contract constituted a conditional grant with funding provided to the foundation up-front with the provision that it be spent over a maximum period of 33 months, the funding was actually spent in the fiscal year in which it was provided to the foundation. Another entity, the Canadian Race Relations Foundation, was listed by Canadian Heritage in its 2005-06 *RPP* but dropped in subsequent years. This foundation is, in fact, a Crown Corporation that was created through legislation in 1991 and provided with a one-time endowment in perpetuity in 1996. This lack of consistency limits the analytic and accountability value of the reporting.

Despite the limitations noted above, in an attempt to formulate a more complete picture of the conditional grants provided since 1997, Appendix C builds from the information contained in the departmental reports to provide a brief overview of each of the approximately forty foundations that received \$10 million or more in funding. For all conditional grants listed by departments in their *RPPs* for the fiscal years from 2004-05 to 2010-11, this Appendix lists the amounts, start and expiry dates, and the purpose of the conditional grants, as well as an overview description of the recipient organization. A summary compilation of the information gleaned from the departmental reports is included in Table 8 below.²⁵

Departments and Objectives

As indicated in Appendix C, the grants to independent foundations are spread among twelve departments (Agriculture and Agri-Food Canada, Canadian Heritage, Citizenship and Immigration, Foreign Affairs and International Trade, Environment Canada, Fisheries and Oceans Canada, Health Canada, Human Resources and Social Development Canada, Indian and Northern Affairs (now Aboriginal Affairs and Northern Development), Industry Canada, Natural Resources Canada, and Western Economic Diversification Canada). The total of all grants listed is \$12.6 billion. Single grants range from the \$10 million minimum to a high of \$2.5 billion, which is the amount provided to the Canada millennium Scholarship Foundation in fiscal year 1997-98. Of the forty organizations that have received conditional grant funding, twenty-five have received only a single grant while fifteen others have received multiple grants.

²⁵ Because of its clear status as a Crown Corporation, the Canadian Race Relations Foundation has been excluded from the following summary and analysis while the Prince Rupert Port Authority and Perimeter Institute have been retained.

Table 8 Summary of Foundations by Responsible Department

Title	Year Est'd	Initial Funding	End Date	Funding	Mandate Area	Multiple Grants	Legislation
Agriculture and Agri-Food Canada							
1. Canada Pork International	1991	2009-10	Sept. 2013	\$17M	marketing	no	no
2. Canadian Agri-Food Policy Institute (CAPI)	2004	2006-07	Mar. 2022	\$15M	policy	no	no
Canadian Heritage							
3. Canadian Institute for Research on Linguistic Minorities	2002	2001-02	Perpetuity	\$10M	research	no	no
4. National Aboriginal Achievement Foundation	1985	2003-04	Perpetuity	\$22M	education	yes	no
5. Trans Canada Trail Foundation	1994	2003-04	Mar. 2011	\$15M	infrastructure	no	no
6. Grant to the 2010 Games Operating Trust	2004	2004-05	Perpetuity	\$55M	infrastructure	no	no
Citizenship and Immigration Canada							
7. Global Centre for Pluralism	2004	2006-07	Perpetuity	\$30M	policy	no	no
8. Ukrainian Canadian Foundation of Taras Shevchenko	1963	2008-09	Perpetuity	\$10M	redress	no	yes
Department of Foreign Affairs and International Trade							
9. Asia Pacific Foundation of Canada	1984	2005-06	Perpetuity	\$50M	policy	no	yes
10. Centre for International Governance Innovation (CIGI)	2002	2002-03	Perpetuity	\$30M	governance	no	no
11. Forum of Federations	1998	2000-01	Mar. 2011	\$30M	governance	yes	no
Environment Canada							
12. Canadian Foundation for Climate and Atmospheric Sciences	2000	1999-00	Mar. 2012	\$110M	science	yes	no
13. Sustainable Development Technology Canada (SDTC)*	2001	2000-01	June 2015	\$550M	Science	yes	yes
14. Federation of Canadian Municipalities (FCM) Green Municipal Fund (GMF)	2000	1999-00	Perpetuity	\$550M	enviro	yes	no
15. Clayoquot Biosphere Trust	2000	2000-01	Perpetuity	\$12M	advocacy	no	no
16. Nature Conservancy of Canada (NCC)	1962	2007-08	Perpetuity	\$225M	enviro	no	no
Fisheries and Oceans							
17. The Atlantic Salmon Conservation Foundation	2007	2006-07	Perpetuity	\$30M	enviro	no	no
18. Pacific Salmon Endowment Fund Society	2000	2000-01	Perpetuity	\$30M	enviro	no	no
Health Canada							
19. Canadian Health Services Research Foundation (CHSRF)	1996	1996-97	Varied	\$152M	health	yes	no

Table 8 Summary of Foundations by Responsible Department (Continued)

Title	Year Est'd	Initial Funding	End Date	Funding	Mandate Area	Multiple Grants	Legislation
20. Canada Health Infoway (<i>Infoway</i>)	2001	2000-01	Varied	\$1.2B	health	yes	no
21. Canadian Institute for Health Information (CIHI)	1994	1998-99	Mar. 2012	\$260M	health	yes	no
22. Mental Health Commission of Canada – Research Demonstration Projects	2007	2008-09	Mar. 2013	\$110M	health	no	no
23. Rick Hansen Man in Motion Foundation	1988	2007-08	Mar 2012	\$30M	health	no	no
Human Resources and Skills Development							
24. Canadian Council on Learning	2003	2003-04	Mar. 2010	\$85M	learning	no	no
25. Frontier College Learning Foundation	1987	1999-00	Mar. 2005	\$12M	learning	no	no
26. The Canada Millennium Scholarship Foundation	1998	1997-98	Jan. 2010	\$2.5B	education	no	yes
Indian and Northern Affairs							
27. Aboriginal Healing Foundation	1998	1998-99	Mar. 2012	\$515M	Redress	yes	no
Industry Canada							
28. Canada Foundation for Innovation	1997	1997-98	Mar. 2010	\$3.65B	science	yes	yes
29. Canadian Institute for Advanced Research	1982	2001-02	Dec. 2007	\$50M	science	yes	no
30. Canadian Youth Business Foundation	1996	2001-02	Sept. 2009	\$17.5M	ec. dev.	yes	no
31. CANARIE Network	1993	2001-02	Mar. 2007	\$110M	science	yes	no
32. Centres of Excellence in Commercialization and Research	varied	2008-09	Mar. 2012	\$105M	science	no	no
33. Council of Canadian Academies	2002	2005-06	Mar. 2015	\$30M	research	no	no
34. Genome Canada	2000	2000-01	Mar. 2010	\$700M	science	yes	no
35. Perimeter Institute	1999	2007-08	Mar. 2012	\$50M	science	no	no
36. Pierre Elliott Trudeau Foundation	2001	2001-02	Perpetuity	\$125M	education	no	no
37. Precarn Incorporated, Phase 4	1987	1999-00	Mar. 2010	\$40M	ec. dev.	yes	no
Western Economic Diversification							
38. Friends of the Canadian Museum for Human Rights Inc.	2002	2003-04	Perpetuity	\$27M	advocacy	no	no
39. Primrose Lake Economic Development Corporation	2007	2006-07	Perpetuity	\$15M	ec. dev.	no	no
40. Prince Rupert Port Authority	1999	2006-07	July 2008	\$30M	ec. dev.	no	no

*SDTC Tech Fund; ec. dev. = economic development; enviro = environment

A review of the mandates of foundations reveals that the government has sought to achieve a broad range of policy objectives through the use of this mechanism. Objectives of recipient foundations include: improving international governance; redressing racism and fostering multiculturalism; conservation and environmental sustainability; scientific, social science, and health research; post-secondary education; and economic development. However, while a broad range of objectives are represented, the vast majority of funding has been targeted towards scientific research, health information, and financial assistance for post-secondary education.

The policy focus of funding to foundations is strongly influenced by the three recipients that have received the largest amount of funding: the Canada Foundation for Innovation (research and development infrastructure), the Canada Millennium Scholarship Foundation (post-secondary education student support) and Canada Health Infoway (electronic health information). Together, these three organizations have received in excess of \$6.35 billion or more than half of all federal funds provided to independent foundations through conditional grants. CFI alone has received \$3.65B in conditional grant funding since it was created in 1997.²⁶ In comparison, twenty-five of the forty organizations received less than \$100 million in conditional grant funding.

The summary chart reveals that eleven new entities received conditional grants in the two fiscal years of 2000-01 and 2001-02, six and five respectively each year. Beyond these two years, the provision of grants to new recipients is relatively evenly distributed with four new recipients in each of 1999-2000, 2003-04 and 2008-09. With the exception

²⁶ CFI has received a total of \$4.91B in federal funding over 12 years. However, beginning in the 2007-08 fiscal year, the Government noted that it would account for the funds as they are disbursed by CFI to institutions.

of 2008-09 when three new recipient organizations received conditional grants, the remaining years saw the creation of only one or two new recipients annually.

Funding Expiries

Of the forty organizations identified, twenty-three have received fixed-term endowments while fifteen received endowments in perpetuity. Two organizations, the Canadian Health Services Research Foundation and Canada Health Infoway, have received both types of endowments. Among the twenty-three organizations in receipt of time-limited funding, eight have had their funding expire or been given indications that it will not be renewed.

The first instance of non-renewal of funding was the Frontier Learning College Foundation. The \$12 million provided to the literacy organization in March 2000 was not renewed following the end of its initial five-year term in March 2005.

In Budget 2008, the government announced that it would not renew the CMSF after its initial mandate ended. The CMSF, which was viewed by many as a legacy project of former Prime Minister Jean Chrétien, received \$2.5 billion in 1998 to provide scholarships and bursaries to post-secondary students. The CMSF's ability to make awards to students expired in January 2010, at which time, the CMSF ceased operations and the Canada Student Loans Program of HRSD assumed the administration of outstanding payments of awards previously provided by the CMSF.

Funding for two entities, the Canadian Council on Learning (CCL) and Precarn, expired in 2010 and was not renewed. Similarly, funding for the Aboriginal Healing Foundation (AHF) was fully committed to supporting the 134 existing AHF healing projects through March 31, 2010 and 12 healing centres through March 31, 2012

(SCAAND, 2010). In the absence of additional funding, the AHF is expected to wind-down according to these timelines.

Funding to the Prince Rupert Port Authority has also expired. However, in this case, although the period of the \$30 million grant extended from October 2005 until July 2008, the project for which the grant was provided, the construction of a new container terminal at Prince Rupert, British Columbia, was completed and the grant was fully disbursed in the 2006-07 fiscal year.

The fate of two other entities is uncertain. The federal funding for the Trans Canada Trail Foundation was scheduled to expire in March 2010, but the Department of Canadian Heritage extended the grant to March 2012. The 2003 funding provided to the Canadian Foundation for Climate and Atmospheric Sciences (CFCAS) was originally scheduled to expire in March 2010. It has received two separate one-year extensions and is now scheduled to expire in March 2012. However, although the CFCAS was lobbying for an additional \$25 million in annual funding in Budget 2010, it has not received any additional funding (“Demise of”, 2010, p. 1).

Shift to Cash Flow Funding

Of the fifteen remaining organizations with time-limited funding, eight have received a renewed commitment from the federal government since the 2007-08 fiscal year. However, these recent investments have come in an altered form. In these eight cases, the government made a public, multi-year commitment, but the funding is disbursed to the organizations on an annual basis, based on projected expenditures.

Beginning in the 2007-08 fiscal year, the government announced a multi-year funding commitment to the CFI but provides the money annually based on the organization’s projected expenditures and expensed the money in its own accounts as it

was disbursed to the CFI. The CFI received a further investment in this form in Budget 2009. As a result of the changes in how the government provides funding to the CFI, the organization is no longer listed in the multi-year funding section of Industry Canada's 2010-11 RPP, but, instead, is included in the Transfer Payment Programs section.

In addition to the CFI, five other previous recipients of conditional grants experienced a change of approach with the 2007-08 fiscal year. Canada Health Infoway, the Canadian Institute for Health Information, the Canadian Institute for Advanced Research, CANARIE and Genome all received additional funding in Budget 2007 to be spent over five years; however, in each case, it was announced that the funding would be provided to the organizations through annual installments on an as needed basis.

A seventh organization, Sustainable Development Technology Canada, which has previously received conditional grant funding, received a commitment of \$500 million for the creation of the NextGen Biofuels Fund which is treated separately from the previous SDTC Tech Fund. Funding for the NextGen Biofuels Fund was provided as a mix of \$200M in statutory funds to be requested as required and an additional \$300M to be appropriated annually by Parliament over the period from 2008-09 to 2014-15.²⁷

Finally, conditional grant funding to the eighth organization, the Canadian Youth Business Fund (CYBF), expired in September 2009. A further \$10 million was provided to the CYBF in 2009-10 under the 2009 Economic Action Plan; however, this funding was provided as a contribution agreement and not as a conditional grant.

One new grant, to the Perimeter Institute, was also implemented in this form in 2007-08. Funding of \$50 million was announced for a five year period but the 2007-08

²⁷ 2010-11RPP, Natural Resources Canada

Public Accounts show that the institute received \$10,543,000 in that fiscal year indicating that this funding is also being disbursed on an as needed basis.

Endowments in Perpetuity

Of the forty organizations listed, 17 received conditional grants as endowments in perpetuity. Ten of these endowments in perpetuity were for \$30 million or less while the remaining seven range in value from \$50 million to \$550 million.²⁸ Three perpetual endowments exceeded \$100 million. These endowments are: \$125 million committed to the Pierre Elliott Trudeau Foundation in fiscal year 2001-02; \$225 million to the Nature Conservancy of Canada committed in 2007-08²⁹; and \$550 million to FCM for the Green Municipal Fund in 1999-2000.

Method and Timing of Creation

While the OAG suggested that arm's length organizations created through means other than legislation reduced accountability to Parliament and recommended that the government use legislation to create delegated arrangements that represent significant policy changes or a significant commitment of funds (2002, p. 9), only five of the forty organizations - the Canada Millennium Scholarship Foundation, the Canada Foundation for Innovation, Sustainable Development Technology Canada, the Asia Pacific Foundation, and the Ukrainian Canadian Foundation of Taras Shevchenko - were created through legislation. The remaining organizations were created through the *Canada Corporations Act* or were provincially incorporated.

²⁸ As noted earlier in this chapter, two entities, the Canadian Health Services Research Foundation and Canada Health Infoway, received funding in the form of both time-limited endowments and endowments in perpetuity.

²⁹ While a commitment for \$225 million was made, the government is providing the funding on a dollar for dollar matching basis in line with the organization's own fundraising.

The issue of the timing of the creation of the entities raises the distinction between organizations that were already active prior to the receipt of conditional grant funding and those entities that came into existence immediately in advance of the conditional grant. While organizations that were called into existence congruently with the receipt of federal funding may be the preconceived norm, 21 of the recipient organizations were actively operating prior to the receipt of conditional grant funding.

This distinction between existing and pre-existing entities also tends to delineate between organizations that have a broader purpose and for whom the management of the conditional grant(s) from the federal government is one activity stream and other organizations whose existence and purpose are largely identical to the purpose of the conditional grant. For example, the National Aboriginal Achievement Foundation (NAAF) was created in 1985 to promote the professional development and education of Aboriginal peoples through awards that recognize and promote achievement and bursary and scholarship awards. Conditional grant funding was first provided to NAAF by the Department of Canadian Heritage in December 2004. NAAF holds this government funding in a separate trust fund from the remainder of NAAF's assets and manages it according to distinct investment guidelines. In comparison, Genome Canada was created in 2000, the year that it received its first conditional grant from the Government of Canada and the organization's purpose replicates the purpose of the federal grant. Its website states "Genome Canada - a not-for-profit organization established in February 2000 - was given a mandate by the Government of Canada to develop and implement a national strategy for supporting large-scale genomics and proteomics research projects, for the benefit of all Canadians" (Genome).

Governance

Approximately one-third of the foundations have some degree of federal government involvement in their governance. Of these organizations, only four have Governor in Council (GIC) appointees on their Boards of Directors.³⁰ A GIC appointment is an appointment made on the recommendation of the responsible minister and approved by the Governor General in Council—the Cabinet and the Governor General acting in a legal capacity. These four foundations are: the Asia Pacific Foundation, the Canada Foundation for Innovation, the Canada Foundation for Sustainable Development Technology, and the Prince Rupert Port Authority. In these four cases, the GIC appoints the Chairperson and a minority of the Board members. In at least ten other foundations, the government has a role in the appointment of members or directors; however, the federal involvement is more diluted. For example, the federal Deputy Minister of Health is an ex-officio member of the board of the Canadian Health Services Research Foundation and the Deputy Ministers of the Department of Finance and the Department of Foreign Affairs and International Trade each designate an ex-officio director to sit on the Board of Directors of the Centre for International Governance Innovation. In all cases, it is important that federal government appointees constitute a minority of the foundations governance structure to maintain the foundations' independence.

³⁰ Governor in Council appointments are listed by organization at <http://www.appointments.gc.ca/lstOrgs.asp?type-ty=2&lang=eng>

Conclusion

As evidenced by this chapter, the independent foundation policy instrument aligns with the broader international public administration trend of NPM and its propensity to privatize or commercialize the delivery of government services and associated innovations in policy instruments. The instrument was also inspired by the existence of better than projected fiscal results beginning in 1997, and a related desire to mitigate future funding pressures through a one-time up-front expenditure. The same factors also contributed to the creation of new mechanisms for the transfer of funding to the provinces and territories.

There is a wide diversity in the form and circumstances of federal funding to independent foundations, as well as in the organizations themselves. The funding has been provided in small and large amounts, as time limited and perpetual endowments, in single and in multiple installments. The mechanism has been used to pursue a range of policy objectives although the largest proportion of funding has focused on research, education and health.

While foundations initially provided the government with financial flexibility while fulfilling federal policy objectives, the mechanism received significant public criticism, led by the OAG. This criticism, which focused on the accounting treatment of the instrument and shortcomings in accountability to Parliament, led to successive government measures to strengthen the accountability of the mechanism. In several cases, the accountability measures, combined with the pre-existing degree of government influence on the organization, led to a determination of government control of the organization as defined by PSAB. In these cases, the advantage of providing multi-year

funding to foundations while expensing it from the government's accounts in a single year was eliminated. Finally, the federal Transfer Payment Policy was revised, eliminating the use of the conditional grant mechanism and the ability to provide significant financial investments in foundations in advance of need, although the capacity for the government to make a multi-year commitment to the foundations was retained.

The next three chapters will undertake in-depth case studies of three foundations: the Canada Foundation for Innovation, the Canadian Council on Learning, and Canada Health Infoway. As detailed in the methodology section of the introduction to this dissertation, these three case studies were selected to provide variations across four criteria: the funding received; the timing of provision of the conditional grant; the mandate of the foundation; and whether the foundation was created by legislation or under the *Canada Corporations Act*.

CHAPTER 4: CANADA FOUNDATION FOR INNOVATION

Introduction

The Canada Foundation for Innovation (CFI) is an independent corporation at arm's length from government. The CFI's mandate is to strengthen the capacity of Canadian universities, colleges, research hospitals, and non-profit research institutions to carry out world-class research and technology development that benefits Canadians. To implement its mandate, the CFI aims to:

- support economic growth and job creation;
- lead to improvements in health, the environment, and quality of life;
- build capacity for innovation;
- strengthen training for research careers for young Canadians;
- attract and retain capable researchers in Canada;
- promote networks and collaboration among researchers; and
- ensure the optimal use of Canadian research infrastructure by promoting sharing within and among institutions. (CFI, 1998, p. 10)

The government announced its intention to create the CFI in the February 1997 Budget with an initial, up-front investment in the entity of \$800 million to be spent over five years.³¹ Since that first announcement, the federal government has committed an additional \$4.11 billion in funding to the organization for a total of \$4.91 billion over 15

³¹ The Government initially included the payment to the Foundation in 1996-97, but this was eventually restated to include it in the Public Accounts for 1997-98.

years. As such, the CFI is the most significant of all the independent foundations in terms of federal investments.³²

The CFI was created through legislation and is governed by a 15 member board of directors. The funding provided to the CFI was the second conditional grant to an independent third party. It followed the provision of funding to the Canadian Health Services Research Foundation (CHSRF) earlier in the 1996-97 fiscal year; however, funding to the CHSRF was an endowment in perpetuity of \$66.5 million and was provided in annual installments over 5 years. The CFI was also the first conditional grant recipient created by the federal government through legislation. It was described as “an entirely new approach by the government to the support of research and development” (DoF, 1997, p. 98) where the leadership of the corporation and not the government would be responsible for assessing projects and making spending decisions. According to the 1997 Budget, the Foundation would “provide financial support for the modernization of research infrastructure at Canadian universities and colleges, in research hospitals, and in associated not-for-profit research institutions and organizations in the areas of health, environment, science and engineering” (DoF, 1997, p. 98).

Vision and Consultations

Context

The federal government’s decision to create and fund the CFI should be considered within the context of several significant national and international developments. Internationally, there was an increasing recognition of the importance of

³² As detailed later in this chapter, the first \$3.65 billion of this investment was in the form of conditional grants with the remainder provided as expensed by the foundation. However, the independent entity has existed continuously and maintains the same mandate and governance structure as at its inception.

research and development to economic growth. Nationally, public research and development, particularly at Canada's post-secondary institutions, was suffering from years of under investment.

The international phenomena of increasing recognition of the importance of research and development to economic success was embodied in the work of the OECD, which, in the mid-1990's, began to increasingly focus on the importance of knowledge and technology in modern economies. As noted by the organization itself in 1996, "OECD analysis is increasingly directed to understanding the dynamics of the knowledge-based economy and its relationship to traditional economics, as reflected in "new growth theory"" (OECD, 1996, p. 3).

According to new growth theory, investments in research and development, education and training and new managerial work structures are central to economic success. This school of thought emphasized the importance of national science systems, which are essentially public research laboratories and institutes of higher education, in knowledge production, application and distribution. It also incorporated a strengthened role for government in fostering growth through investments in science.

During the same time period of the early and mid-1990's, communications of the science establishment in Canada, as represented by its post-secondary institutions in particular, emphasized that Canada's scientific community was experiencing two trends that challenged its capacity to contribute to knowledge development. These trends were an outdated research infrastructure and a not unrelated exodus of researchers from the country. There was a strong concern that the country was losing its educated personnel to the United States, in a so-called "brain drain". The potential for higher incomes and

lower taxes were incentives to Canadians to move south; however, declining research budgets, smaller research grants, and decaying research infrastructures were argued to be major factors contributing to this phenomena and were viewed as having long-term implications for Canada's competitiveness. The Association of Universities and Colleges of Canada (AUCC), the Canadian Association of University Teachers (CAUT), and the National Consortium of Scientific and Educational Societies (NCES) further argued that scientific developments and an increasing emphasis on applications driven research at universities were placing increasing demands on already strained budgets, leading to an increasingly outdated research infrastructure (AUCC et al., 1996, Oct. 18).

The pressure on research and development funding was a symptom of constrained government finances. In order to eliminate an increasingly burdensome deficit that it inherited when it took office in 1993, the Liberal government, led by Finance Minister Paul Martin, undertook extensive program and expenditure cuts across government during the mid-1990's. In its 1995 Budget, the federal government announced a 30-percent cut (\$6 billion a year) to its \$18.7 billion in annual cash transfers supporting provincial and territorial health, post-secondary education, and social assistance and social services. These cuts to provincial transfers led naturally to cuts in provincial spending, including in funding in support of the operating budgets of universities. In fact, government investments in higher education declined during the 1990's across a number of measures, including as a percentage of gross domestic product.

The government's spending reductions were just beginning to realize their objective of balancing the federal budget at the time the CFI was created. As explained by one former Department of Finance official, at the time of the 1997 Budget,

Department of Finance officials and the Minister of Finance realized that the government would have much better fiscal results for the 1996-97 fiscal year than originally forecast, although they did not yet consider the government to have achieved a sustained surplus track (5, 09/29/2010). This situation favoured the use of a one-time conditional grant which could allocate funds to an identified priority without jeopardizing sustained future surpluses by creating ongoing annual commitments against the fiscal framework.

Role of Universities and the Research Community

It is widely believed that the concerted lobbying effort of university presidents was pivotal in the creation of the CFI (Doern, 2002). In fact, in the fall of 1996, the AUCC, CAUT and NCES were advocating for major new investments in research, including through a proposed Infrastructure for Innovation Program (IIP) as part of a second round of the Canada Infrastructure Works Program (AUCC et al., 1996, Oct. 18).

The Canada Infrastructure Works Program had been introduced in 1994 as a cost-shared federal contribution program to assist in the maintenance and development of infrastructure in local communities and to create employment. For purposes of the program, "infrastructure" was defined as "physical capital assets in Canada instrumental in the provision of public services." Building from this program, the university lobby argued that similar investments in the research infrastructure of universities were needed to improve Canada's science and technology performance in order for the country to thrive as a knowledge society. It emphasized the need for investments: to provide challenging career opportunities through well equipped and supported research facilities; to stop the "brain drain" of Canadian graduates; to invest in and capitalize on new emerging research fields; and to ensure that Canada's universities had the research

facilities to meet new demands and expectations and to capitalize on new scientific developments (AUCC et al., 1996, October 18).

According to the AUCC Backgrounder on the IIP, earmarking a significant portion of the funds within the existing Canada Infrastructure Works Program for the modernization of Canada's university research infrastructure would allow the federal government to meet its two overriding objectives of stimulating economic recovery through job creation, and strengthening the economy's potential for future growth and prosperity (1996). In the view of the AUCC, the IIP would: create employment; promote skill development; upgrade research infrastructure; improve research productivity; and encourage public-private research partnerships (AUCC, Backgrounder, 1996). Funding criteria suggested by the AUCC included: improving social and economic development; increasing research productivity; contributing to skill development; applying innovative technologies; upgrading research facilities; enhancing environmental quality; and fostering partnerships.

While the IIP proposal was not structured as an independent foundation, the proposed program shared similar objectives and program parameters to those developed under the CFI initiative. The justification used by the AUCC to argue for the IIP program was almost identical to that which appeared in the 1997 Budget. According to the AUCC:

A dynamic research environment has replaced resource endowment and access to markets as a source of comparative advantage in our global knowledge economy. State-of-the-art facilities capable of conducting leading edge university research enable Canada to capitalize on its science

and technology expertise. Creating clusters of innovative activity allows Canadian firms to maintain their competitive edge by supplying them with a highly educated workforce, as well as a steady flow of new ideas, products and processes. The outcome of investment in research infrastructure is not only commercializable knowledge but high quality personnel, who themselves become engines of growth. Enhanced productivity through innovative applications of the results of social and economic analyses as well as of new technologies is key to sustained growth and job creation. (AUCC, Backgrounder, 1996)

While arguing for increased federal investments, the proposal put forward by the university consortium also recognized the ongoing challenge of managing federal-provincial relations in the area of post-secondary education policy. Although the constitution assigns responsibility for education to the provinces, the federal government has a history of interventions due to the importance of research and higher education to the labour market and the economy. The consortium's proposal advocates that the IIP "be administered jointly by the federal and provincial governments on the basis of framework agreements that are sensitive to provincial priorities and the structure of the education system in each province. These agreements will be administered by Management Committees co-chaired jointly by federal and provincial officials" (AUCC Backgrounder, 1996).

The Preliminary Federal Concept

The public lobbying of the AUCC likely fed into the internal work being undertaken by the Department of Finance which, under the leadership of its Associate

Deputy Minister, C. Scott Clark, assembled an advisory task force of university presidents, leaders of the Canadian research and business communities, and senior public servants to develop what was to become the CFI (Goldenberg, p. 344). In fact, the AUCC proposal and AUCC research into the state of university infrastructure were included in documents obtained in an access to information request (ATI) to the Department of Finance (DoF, Putting, p. 8-25).

Other documents obtained through the same ATI request provide a glimpse of the CFI initiative as it was conceptualized by the Department of Finance in the Fall of 1996. At the time, the initiative was entitled, “Canadian Research Infrastructure: Endowment Fund for the 21st Century.” Like the AUCC proposal, the Department of Finance’s policy rationale for the initiative emphasized the need for investments in research infrastructure to support growth and competitiveness. It also cited crumbling research infrastructure at Canadian universities, an inability to attract private sector and foreign investment in Canadian research without adequate facilities, and the importance of adequate research facilities to develop and retain research personnel, as reasons for action (DoF, Oct. 18, 1996, p. 2-3).

In these Department of Finance documents, the mandate of the fund was described as involving a targeted approach focusing on: improving core Canadian research competencies; and encouraging cost-sharing between universities, governments and the private sector, with universities, medical research institutions and associated not-for-profit organizations qualifying as eligible recipients. The list of proposed priorities for investment included projects that: modernize existing facilities; rationalize existing facilities and the sharing of facilities by several institutions; and offer potential

commercial applicability (to be measured by the degree of private sector sponsorship, demonstrated commitment to meet ongoing operating costs, and demonstrated national merit without regard to allocations by region or discipline). It was noted that costs for the modernization of laboratories, the purchase or upgrading of testing equipment, and some computers and software would be eligible for funding while the maintenance of buildings, support services, overhead and salaries were to be ineligible (DoF, Oct. 18, 1996, p. 2-3).

While emphasizing leveraging funding through partnerships, the proposal stated that provinces would not participate directly in the fund but could act as partners on a project-by-project basis. It was noted that the funds would have to be transferred to a new independent entity at arm's length from government and that, while representation on the foundation's board of directors would be critical, in order to satisfy the criteria of independence, the federal government could not have a controlling interest in the Board (DoF, Oct. 18, 1996, p. 2-3). At the time, it was thought that the funding could be managed through a contribution and trust agreement with the newly created foundation.³³ Together, these agreements would determine the details of the arrangement, including how the funding was to be invested, the structure of the foundation and the board, and the mandate of the trust (DoF, Oct. 30, 1996, p. 75).

These documents also demonstrate a desire to book the funds during the 1996-97 fiscal year (DoF, Sept. 25, 1996, p. 28), reflecting the fact that the Department of Finance anticipated much stronger financial results than it had originally forecast (5, 29/09/2010, 14, 28/10/2010). In an interview, one Department of Finance official explained that the

³³ Presumably, this agreement later became the conditional grant funding agreement as under the framework of Government of Canada grants and contributions, the foundations receive grants with specific terms rather than contributions.

technical requirement was actually that the entity exists before the end of the fiscal year (March 31, 1997), and that the legislation had to be passed and the funding transferred to the entity prior to the government closing its books for that financial year, which usually happens in August or September (14, 28/10/2010).³⁴

The same group of papers from the Department of Finance also noted that the CFI would invest its endowment in fixed income instruments, such as Government of Canada bonds, in order to generate revenues which would be available to support projects. The capital base would be preserved in order to maintain an ongoing, perhaps permanent revenue source. Other issues raised with respect to the Foundation included the financial implications of creating a financing vehicle. It was felt that creating an endowment fund would imply a long term commitment by the federal government to infrastructure. Further, an endowment fund for research would not be a substitute for a municipal infrastructure program or provincial highways program and would, therefore, likely be seen as an addition, not a replacement, to existing physical infrastructure programming ((DoF, Sept. 25, 1996, p. 28-29).

The Budget Announcement

The Budget announcing the CFI was accompanied by a 22-page booklet entitled “Canada Foundation for Innovation” that outlined not only the vision for the CFI but also the policy rationale behind its creation. The booklet emphasized the need for human capital investments in the globalized, knowledge-based economy and the important role played by post-secondary institutions and research hospitals as discoverers and transmitters of knowledge. It also asserted the link between attracting and retaining highly qualified scientists and researchers and the adequacy of research equipment and

³⁴ These conditions were also noted in Good, 2007, p.165 and are cited above.

facilities, alluding to the “brain drain” of young scientists and researchers from Canada to the United States. Further, it emphasized the responsibility of private sector firms to invest in skills, education and knowledge and to work in partnership with the public sector.

This Budget booklet provides insight into the extent to which the government pre-determined the operating parameters of the CFI as it set out the organization’s objectives, potential partners, eligible projects and relative contribution to projects.

The proposed objectives outlined for the Foundation were as follows:

- to support economic growth and job creation, as well as health and environmental quality through innovation;
- to expand research and job opportunities for young Canadians;
- to promote productive networks and collaboration among Canadian post-secondary educational institutions, research hospitals and the private sector; and
- to promote these national objectives in a regionally sensitive way. (p. 14)

This booklet also outlined the government’s intentions for the CFI’s operations, indicating that the CFI would be supported by a small secretariat, and draw on the expertise and peer review assessment procedures of the granting councils to avoid duplication and ensure the highest standards of expertise (p. 13). It was anticipated that the CFI would leverage investments from the private sector, the voluntary sector, individual Canadians and provincial governments. Contributions by the CFI were expected to average 40 percent of total eligible project costs.

The booklet also indicated: the government's vision for eligible applicants (universities and colleges engaged in research, research hospitals, and associated not-for-profit research institutes and organizations); priority areas for investments (health, environment, science and engineering); and eligible and ineligible expenses (such as acquiring state-of-the-art equipment, establishing computer networks and communications linkages, and creating significant research data bases and information-processing capabilities, upgrading of laboratories and installations or, in some instances, new construction where this would contribute to the cost-effective realization of research objectives) (p. 15). It also asserted that the CFI would not fund the "operating" costs of research, such as salaries, regular maintenance or the ongoing operation of facilities. A relatively extensive set of criteria and priorities for funding were also noted in the booklet, as follows:

To receive funding, proposals should demonstrate through a business plan:

- the planned partnership arrangements with other contributors;
- long-term sustainability through, for example, a complementary commitment to cover operating costs; and cost-effectiveness and meaningful performance review mechanisms and benchmarks.

Priority will be given to projects that:

- enhance quality and excellence in research and contribute to Canada's economic development and quality of life;
- create opportunities to strengthen the cadre of Canadian research personnel, and attract and retain researchers in Canada;

- involve partnerships among the research community, the private sector and the voluntary sector; and
- promote sharing and more efficient use of research resources within and among institutions. (pp. 15-16)

The booklet also noted that the CFI should complement and not duplicate existing agencies such as the Granting Councils, the Networks of Centres of Excellence and the National Research Council (p. 15). According to this source, the CFI would not support projects of government departments, agencies or Crown corporations.

Despite providing clear parameters for project funding by the CFI, the booklet specifically noted that the organization's board of directors would indicate how it intended to proceed with the consideration of project proposals once the CFI was established. This caveat not only contributed to maintaining the CFI's independence, but also helped to avoid political interference in the selection of projects for funding.

Although the organization is intended to be independent, the close involvement of the federal government in the creation and implementation of the CFI continued as the entity was initiated. The legislation creating the foundation was included in the 1997 *Budget Implementation Act* and received Royal Assent in April 1997. The legislation identifies the applicable sections of the *Canada Corporations Act*, which include: the governance structure of the Foundation; the rights and duties of directors; the definitions of eligible projects and eligible recipients for grants from the Foundation; the broad framework for the Foundation's operations through provisions for administrative expenses, donations, and investments; finance, audit and reporting requirements; and requirements regarding the distribution of funds in the event of wind-up of the

corporation and the use of both official languages. With respect to reporting, the legislation requires the Foundation to prepare an annual report containing the Foundation's audited financial statement and a report of its activities for the year, which is to be made public and presented in Parliament by the Minister of Industry. In May 1997, the government appointed an implementation team made up of representatives from the three federal granting councils and Industry Canada to oversee the launch of the CFI (CFI, 1998) and, in July 1997, the funding agreement between the government and the CFI was signed.

According to the testimony of an Industry Canada official before the Senate Standing Committee on National Finance in February 2003, the implementing legislation for the CFI provides only a skeletal framework for its establishment and operations, leaving more specific details on operating requirements to be established in the funding agreement between the government and the Foundation.³⁵ More specifically, "the funding agreement sets out the obligations of the foundation and operational guidelines for its activities. These obligations and guidelines include the investment of the monies that have been granted to the foundation, eligible recipients, the eligible projects and costs, selection criteria for awarding grants, and limitations on funding. In addition, the funding agreement requires the foundation to carry out periodic third- party evaluations and to provide public annual reporting on its activities and results."³⁶ The agreement also details an arbitration process in the event of disputes between the government and the foundation. Investment guidelines associated with the CFI's funding agreement emphasize preservation of capital and only allow for liquid, low-risk investment

³⁵ Testimony of Dr. Marshall Moffat, Director, Knowledge Infrastructure, Innovation Policy Branch, Industry Canada

³⁶ *ibid*

instruments. Further, one official from each of the Department of Finance and Industry Canada attend all board meetings of the foundation (Standing Committee on National Finance).

The extent of federal involvement in the launch of the CFI was noted in the “Message from the Chair” in the CFI’s first Annual Report in 1997-98, which stated that “the initial development of policies, procedures, and administrative services was largely due to knowledgeable colleagues from Finance Canada, Industry Canada, the federal research councils—the Medical Research Council, the Natural Sciences and Engineering Research Council, and the Social Sciences and Humanities Research Council—as well as the Association of Universities and Colleges of Canada. Their efforts made it possible to approve the policies, and to launch a national competition for funding within a few weeks of the Board of Director’s appointment” (p. 1).

The CFI’s first Annual Report demonstrates how closely the implementation of the Foundation aligned to the vision elaborated by the Department of Finance in the booklet on the CFI which accompanied the 1997 Budget. The report identified a set of objectives for project funding that paralleled those outlined in the Department of Finance booklet:

To implement its mandate, the Foundation, in co-operation with funding partners, provides infrastructure for research and development that will:

- support economic growth and job creation;
- lead to improvements in health, the environment, and quality of life;

- build capacity for innovation;
- strengthen training for research careers for young Canadians;
- attract and retain capable researchers in Canada;
- promote networks and collaboration among researchers; and
- ensure the optimal use of Canadian research infrastructure by promoting sharing within and among institutions. (1997, *Budget 2007: Building*, p. 10)

The annual report also highlighted the organization's intention to "work closely with partners from the public, private, and voluntary sectors to fund the best infrastructure projects in research institutions across Canada" (p. 3). As suggested in the booklet, an average of 40 percent of project funding would come from the CFI with the balance coming from public, private, and voluntary sector partners (stipulated in the funding agreement). Criteria identified for the funding of projects included: the quality and innovativeness of the research enabled by the infrastructure, the effective use of the resources, the potential benefits from application of the research results, and the availability of partnerships with matching funds (p. 5).

Structure, Funding and Activities

Governance

The CFI is an example of a shared governance structure. Under this structure, the government is responsible for appointing a number of the organization's members and/or

directors, although always a minority. The CFI has 15 directors and 15 members. The federal government appointed the first Chair of the Board, who is also a director, the first six directors and the first six members. The six members appointed by the government elected the final eight directors and nine additional members. The directors are appointed for a three-year renewable term. The government (Governor in Council) maintains responsibility for the appointment of six director positions, one of which is a representative of one of the federal granting agencies. The Board of Directors is accountable to the CFI's 15 members, whose role is similar to that of a corporation's shareholders. In addition to selecting 8 of the 15 directors, the members approve the CFI's financial controls and audits. Members are appointed for a five-year term. Replacement members are appointed by the Membership. As elaborated in the implementing legislation, the directors and the members are to be selected to be equally representative of persons engaged in research and the business community or non-profit organizations.

The Board of Directors determines the strategic objectives of the CFI in the context of the funding agreement with the federal government. It also approves annual plans and objectives, reviews annual outcomes, is responsible for formal evaluations of its programs whose results are posted on the CFI website, and sets overall compensation policy. The Board of Directors signs a Statement on Ethics to deal with any conflict of interest issues. Meetings are held three to four times each year, including an annual public meeting. The Board of Directors makes final decisions on infrastructure projects to be funded based on a rigorous merit review process (CFI, Board of Directors).

The first prospective Chair of the Foundation, Dr. John Evans, was announced by the Minister of Industry, John Manley, on February 19, 1997, the day after the Budget announcing the CFI (CFI, 1998). The first six members of the CFI, also appointed by the Government of Canada, were announced in July 1997. These members were: Dr. Martha Piper, Dr. Peter J. Nicholson, Dr. Angus A. Bruneau, Dr. Gilles Cloutier, Ms. Dorothy J. Lamont and Mr. Robert Giroux. Peter Nicholson served as Chair of the initial members of CFI, leading the nominations of independent directors for the majority of seats on the Board.

Initial Consultations and Program Design

Soon after its creation, the CFI undertook a series of consultations to identify institutional needs and inform its program design. In the spring and summer of 1997, the CFI, in collaboration with George Connell and Robert Davidson of the AUCC, undertook preliminary consultations with the research community across Canada to identify the research infrastructure needs of universities, colleges, hospitals, and other not-for-profit research institutions and to inform the design of CFI's funding mechanisms to address them (CFI, 1998). Following these early consultations, in September 1997, the CFI released a Green Paper in support of a national consultation with the research institutions, academic and business associations, government, and the public and voluntary sectors. This consultation informed the design of the foundation's programs, which were approved by the CFI Board of Directors at the Board's inaugural meeting in December 1997. The first deadline for submissions for CFI funding was set for May 1998.

In its early days, CFI also undertook consultations with provincial government representatives on provincial needs, as well as both the CFI program funding mechanisms

and plans for the evaluation of proposals. One former CFI official indicated that this approach, in combination with the independence of the CFI, was supportive of a particularly constructive relationship with the provinces. In the words of this individual, “Again it was outside the formal FPT [federal-provincial/territorial] model. It was much more informal. Lots of consultations with them as to what their needs were. We had frictions, but we would find ways. We developed a model with Quebec where they would have a chance to comment on their priorities. We offered that to all provinces. So we were able to do not just the one size fits all. We were able to adjust to different needs, different priorities, but always keeping excellence as the one big key driver” (13, 27/10/2010). Supported by this approach, Manitoba, Ontario, Alberta, British Columbia, and Quebec had identified funds to complement CFI programming by March 1998 (CFI, 1998, p. 7).

During this same early period, the organization was instituting its operations. By the time it released its *1998-99 Annual Report*, CFI had 19 staff members. Executive positions at that time included: a Senior Executive Adviser to the President; Senior Vice-President, Programs and Operations; Vice-President, Finance; and Vice-President, External Relations. The CFI’s first President and CEO, Dr. J.Keith Brimacombe, died just months after his appointment in 1997 and was replaced in June 1998 by Dr. David Strangway who was previously the President of the University of British Columbia.

Building from the consultations undertaken in collaboration with the AUCC, the CFI implemented four programs for its first round of funding competitions, which was held in 1998. The Institutional Innovation Fund was intended to strengthen the research infrastructure at Canadian institutions, promote an interdisciplinary approach to research,

and support researchers to undertake groundbreaking projects. The Regional/National Facilities Fund supported highly specialized infrastructure for use by research consortia. The New Opportunities Fund was designed to fund research infrastructure support for new researchers at institutions and to assist institutions to retain and attract new faculty in priority areas. Finally, the University Research Development Fund was targeted to universities that receive less than one percent of Canadian-sponsored research funding to strengthen their research capacity. A fifth mechanism, the College Research Development Fund, was added in May 1998. This Fund was designed to build the research capacity of colleges that have research as part of their mandate. These initial programs emphasized leveraging funding from the public, private, and voluntary sectors and required institutions to submit strategic development plans outlining their plans for future research and researcher training (CFI, 1998).

Subsequent Federal Funding

The government seems to have viewed CFI's early efforts as successful as the organization soon received additional federal funding. In fact, since its inception in 1997 and the receipt of the initial \$800 million in federal funding, the CFI has received a series of successive installments of funding from the federal government. A second installment of federal funding was provided in the February 1999 Federal Budget. This Budget announced an additional investment of \$200 million in support of infrastructure projects in Canadian universities, colleges, hospitals and research institutions in the areas of health, the environment, science and engineering. The 2000 Federal Budget provided a further \$900 million and extended the CFI's funding profile to 2005. The Budget also noted that the new funding would help the Foundation meet the infrastructure needs of

the new Canada Research Chairs initiative announced in the same Budget to help Canada's universities attract and retain the best researchers. Further to the 2000 Budget, the October 2000 Economic Statement and Budget Update provided the CFI with an additional \$500 million for investment in research infrastructure. Another \$750 million was provided to the CFI in the 2001 Federal Budget and its mandate was extended to 2010. This was followed by \$500 million in the February 2003 Budget. In this instance, the funding was specifically identified to support state-of-the-art health research facilities. From the 1997 Budget to the 2003 one, CFI received \$3.65 billion in federal funding.

Additional funding was not provided to the CFI until the March 2007 Budget when a new approach to funding the organization was implemented following the consolidation of the CFI into the government's financial accounts in 2006-07. This allocation was the first instance when funding to the CFI was not accounted for by the federal government in the year that it was announced. At that time, \$510 million in new funding was announced to allow the CFI to undertake another major competition before 2010. However, in this case, funding did not flow to the foundation until June 2007 (CFI, "Investments").

The most recent federal investment in the CFI was made through the 2009 Federal Budget which provided \$750 million in new funding; however, this investment signaled a marked increase in the level of federal government involvement in CFI's decision-making. The Budget specifically earmarked \$150 million of this investment to increase the funding available for projects in the CFI's existing Leading Edge and New Initiatives Fund competitions and provided \$600 million "for future activities of the Foundation,

including the launch of one or more new competitions by December 2010 in support of areas of priority identified by the Minister of Industry in consultation with the Canada Foundation for Innovation, and guided by the Foundation's strategic plan" which was to be developed in collaboration with the Minister of Industry to guide the CFI's activities and competitions beyond 2010 (DoF, 2009, pp. 149-150). This funding was eventually allocated between CFI programs and extends through 2016-17.

The Evolution of CFI Programming

The CFI's initial program architecture has evolved and expanded over time as it has received additional funding. With the additional funding received in 2000-01, the CFI introduced three new funding programs. Two of the programs focused on international collaboration. The International Joint Ventures Fund was designed to support up to four high profile research infrastructure projects in Canada in collaboration with leading facilities in other countries. The International Access Fund was intended to support Canadian researchers and their institutions to gain access to unique programs, equipment, and facilities in other parts of the globe. The third program, the Infrastructure Operating Fund, was designed to contribute to the operating and maintenance costs associated with new infrastructure projects that the CFI supports by allocating 30 percent of the cost of the initial CFI contribution to projects approved since July 2001. Following the creation of the Canada Research Chairs Program in 2000, the CFI introduced The Canada Research Chairs Infrastructure Fund to provide Chairholders with infrastructure to develop their research programs. With the \$500 million provided to CFI as part of the 2003 First Ministers' Accord on Health Care Renewal to invest in research hospital infrastructure, the CFI created the Research Hospital Fund, focusing on large-scale

infrastructure projects that coordinate biomedical, clinical, health services, and population health research.

In 2004-05, the CFI revamped its slate of programs for what, at the time, was believed to be the final five-year period of its mandate (2005-06 to 2009-10) and its remaining \$750 million investment budget. CFI depicted this phase as both building on its past investments and setting the stage for future success. The newly introduced Leaders Opportunity Fund built on the New Opportunities Fund, the Canada Research Chair Infrastructure Fund, and the Career Awards to assist universities to attract and retain faculty and leading researchers for Canada. The Leading Edge Fund also built on previous investments as it offered additional funding to activities previously supported by the Innovation Fund, the University Research Development Fund, the College Research Development Fund, and the International Funds. In contrast, the New Initiatives Fund was targeted at new infrastructure initiatives that had not previously received CFI funding. The National Platforms Fund offered support to multidisciplinary research infrastructure, resources, services, and facilities with an initial focus on high performance computing. The Infrastructure Operating Fund, International Joint Ventures Fund, and the Research Hospital Fund carried over into this phase of the CFI's programming.

In 2008-09, the CFI introduced two additional initiatives which it sponsored with a variety of funding-agency partners. In partnership with Industry Canada, the National Science and Engineering Research Council, the Social Sciences and Humanities Research Council, and the National Research Council, CFI established Automotive Partnership Canada to enhance innovation in the Canadian auto industry. Additionally, working with Genome Canada, the Canadian Institutes of Health Research, the Ontario Institute for

Cancer Research, and the Stem Cell Network, the CFI created the Cancer Stem Cell Consortium. This Consortium brings together established agencies, organizations and scientists in a non-profit corporation that coordinates and oversees the scientific direction, research goals and milestones for large-scale cancer stem cell research programs.

Program Implementation

CFI support is awarded following a merit-based assessment process administered by volunteer expert assessors who review proposals and make funding recommendations. Volunteers from the academic community, including researchers, research administrators, and research users, provide their views on applications as part of multidisciplinary assessment committees and expert panels. The composition of the assessment bodies is monitored to ensure balance between regional, linguistic, gender, and disciplinary factors. This process harnesses a significant contribution from the academic community. During its first round of competitions, CFI was aided by close to 600 national and international experts (CFI, 1999).

In comparison with most other Canadian research and development infrastructure support, which is structured to accept applications from individual researchers, project applications to CFI are made by the institutions. Because many CFI awards are for projects that will be used collaboratively by a number of institutions, or will be used by many investigators within that institution or in partner organizations, CFI encourages development of national or regional consortia to facilitate this process. To aid in this, and prior to making any applications to CFI, each institution must provide CFI with a strategic institutional research plan that describes priority investment areas based on the institution's vision for the future. These are used by CFI during the review process to

help assess how the requested infrastructure will support institutional strategies. The implementation of this approach by CFI marked the first time that institutions were required to submit such plans as part of applications for research infrastructure for any Canadian program.

Once an institution or consortia identifies its research infrastructure priorities for CFI funding, it must assemble a team of partners who will cover the 60 percent of infrastructure costs not covered by CFI. The CFI indicates that provincial governments typically contribute two-thirds of this partnership share of the project or 40 percent of the total investment. Most provinces have programs and mechanisms specifically designed to match CFI funding. The Government of Canada also frequently partners with institutions through regional development agreements and regional economic development agencies, such as the Atlantic Canada Opportunities Agency as well as through science-based agencies and departments, such as Natural Resources Canada and Agriculture Canada. Private sector companies and industry associations may also be participants.

Multidisciplinary Assessment Committees assesses the ability of applications to build capacity in at least one of the strategic areas of health, science, engineering, or the environment against three criteria: the quality of research and suitability of the infrastructure; the contribution to strengthening capacity for innovation; and potential benefits of the research to Canada. The Committee then makes its recommendations to the Board of Directors for a final decision. Under the CFI's legislation, the Board cannot delegate decision making on applications.

Performance and Accountability

The CFI has implemented a series of mechanisms to measure and report on performance and to provide accountability to the Minister of Industry and the Canadian public. Every year, the CFI completes an annual evaluation of the results of its investment in infrastructure, the “Report on Results: An Analysis of Investments in Research Infrastructure”. This report is a roll-up of the “Project Progress Reports” (PPRs) that institutions are required to submit annually for each project funded by the CFI for five years following the finalization of an award. The PPRs are intended to document the outputs and outcomes of CFI-funded infrastructure as they relate to the overall objectives of the CFI and its programs. Based on the data contained in the individual PPRs, the CFI measures the impact of its investments under the categories of: societal and economic benefits to Canada; strengthening Canada’s capacity for innovation; levels of attraction and retention of researchers and highly qualified personnel; promotion of productive networks and research collaborations; and optimal use of research infrastructure. CFI also implements tight financial controls on all its awards. Awards exceeding \$4 million are automatically audited, as are a sample of smaller awards. All institutions that receive CFI funding must submit an annual financial report outlining actual and projected project expenditures and the corresponding matching funds.

One former CFI official noted that this level of reporting was consciously implemented at the outset of the organization to ensure that it could measure and report on the effectiveness of the federal investment. In her words:

We talked to the universities and we said, “You know, if something goes wrong, its history for all of us so we’ve got to make that work. So, you’ve got to be our partner in this, and yes, there is going to be reporting burden,” and we introduced the concept of for each project people had to report for five years. We would do an analysis of that. We would post it on the website, embarrass them in front of their peers if they had done a bad job because there was an institutional report with each individual report. So, from a governance and from an accountability perspective, we felt a great deal of ownership to make this a success so that the government would trust us. (13, 27/10/2010)

Each year, the CFI submits its *Annual Report* — containing information on financial performance, funded projects, and the achievement of objectives — and a corporate plan, including planned expenditures, objectives, and performance expectations, to the Government of Canada. The *Annual Report* is tabled in Parliament by the Minister of Industry and it is made public by the CFI.

The CFI also undertakes significant efforts to communicate its activities to Canadians. These efforts include: national funding announcements, media conferences and lab tours; an online magazine – InnovationCanada.ca; provision of information on its programs, awards, and the results of evaluations on its corporate website; and the CFI Science Writing Award, which recognizes excellence in Canadian science writing.

Evaluations are also undertaken for all of the CFI’s individual programs, usually every five years or at the end of the program. Again, these evaluations are largely positive although they do report some recurring difficulties related to CFI funding. These

include: a strain on provinces to provide matching funding for CFI sponsored research infrastructure; the burden on institutions of developing strategic research plans, which are required but not always essential to the funded project; and relatively limited funding for projects in the social sciences and humanities as opposed to the natural sciences (Bearing Point).

In accordance with its funding agreement with the Government of Canada, the CFI underwent an overall performance evaluation and value-for-money audit during 2009. These reports, conducted by KPMG, were extremely positive. The evaluation component concluded that “the overall architecture of the CFI is sound, contains no major gaps, and has a number of advantages compared to many other research infrastructure support programs world-wide. The individual Funds are well-designed and well-delivered. No significant problems with the CFI or its impacts were identified” (2009a, p. 5). The audit report was similarly positive, concluding that “the CFI has designed and implemented practices and processes that promote economy and efficiency in the use of resources and that are effective in supporting the achievement of the CFI’s national objectives and expected results” (2009b, p. 2).

The CFI is administratively efficient. In 2010, the organization had approximately 70 staff (3, 24/09/2010). Its operating and administration costs average approximately three percent of its total annual expenses. The CFI’s efficiency is aided by economies of scale that are realized with the organization’s significant funding, as well as by the nature of the CFI’s mandate, which targets funding at a limited number of large value research infrastructure projects. Most other Canadian research and development

infrastructure support is applied for by individual researchers rather than by institutions as is the case with the CFI, leading to smaller projects on average.

Overall, there appears to be strong evidence to support the CFI's claim that its investments in research infrastructure have helped to "attract and retain highly skilled research personnel in Canada; strengthen research training of young Canadians for the knowledge society; promote multidisciplinary, as well as networking and collaboration among researchers; ensure the optimal use of research infrastructure within and among Canadian institutions; and to be competitive in the international research environment" (CFI, 20003, p. 5).

Perhaps not surprisingly given the magnitude of the CFI's investment, the "Reports on Results" suggest that the CFI has had a significant positive impact. As one example, the "2009 Report on Results" found that: CFI's research infrastructure investments helped create 4,675 academic, private and public sector jobs; more than 14,000 researchers advanced their research using CFI supported infrastructure; more than 21,000 post-doctoral fellows and graduate students used CFI-funded infrastructure as a key resource in their research project; more than 10,500 visiting researchers made use of CFI-funded infrastructure; and project leaders reported a total of 1,642 formal collaborative research agreements. These results were based on projects which had collectively received \$1.2 billion in CFI funding. With the power of compound interest, the CFI has committed \$5.27 billion in support of more than 6,600 projects at 130 research institutions in 65 municipalities across Canada since its creation in 1997. Table 9 below details CFI funding from the time of its inception until 2012.

Table 9 Committed and Projected Funding Amounts (\$M) 1998-2012

Fund	Committed by the CFI Board				Projected			Unallocated	Total
	98-06	06-07	07-08	08-09	09-10	10-11	11-12		
New Opportunities	353								353
Canada Research Chair Infrastructure	200								200
Leaders Opportunity Fund	19	77	86	69	90	90	90		521
Career Awards	6								6
Innovation	1,769	13							1,782
University Research Development	35								35
College Research Development	16								16
Leading Edge & New Initiatives		325			510				835
International	159	43							202
Research Hospital	57		16	427					500
Exceptional Opportunities	15	6							21
National Platforms		84							84
Infrastructure Operating	406	142	27	168	180	27	27		977
Automotive Partnership Initiative					8	7			15
Budget 2009 Future Competitions							600		600
Unused Amounts Confirmed by Final Financial Reports *				(21)					(21)
Unallocated								64	64
Total	3,035	690	129	643	788	124	717	64	6,190

* The maximum grants awarded to date include \$21 million that will be unused by eligible recipients, which has been confirmed by final financial reports submitted as at March 31, 2009.

Reproduced from CFI Annual Report, 2008-09

Accountability

Despite the accountability measures implemented by the CFI, the OAG, especially in the CFI's early years, voiced repeated concerns over the organization's lack of accountability. For example, in her 2005 report on the accountability of foundations, the AG noted that although the CFI corporate plan is tabled annually in Parliament as part of the organization's annual report, this information should be tabled separately to allow

more timely consideration. In the same report, the AG also recommended that all foundations be subjected to performance audits that are reported to Parliament and that the AG should be appointed as their auditor.

The AG's concerns with accountability stem from the roles and conventions of Canada's Westminster democracy. Within this system, Parliament is accountable for reviewing and approving the government's spending, and the AG conducts a program of planned performance and financial audits that are reported to Parliament and provide it with a foundation of evidence for reviewing the government's expenditures. While the principle of accountability guiding the AG is clear, it is less evident that, in the case of the CFI, the actions she sought would have provided greater evidence of the organization's stewardship of public monies than it was already providing.

The government did eventually conform to the recommendations of the AG when in 2006-07 it consolidated the revenues and expenses of the CFI, as well as the Canada Millennium Scholarship Foundation, the Sustainable Development Technology Canada, and the Aboriginal Healing Foundation, in its financial statements (DoF, 2006, p. 57). At this time, the government also committed to providing future funding to the foundation annually in accordance with its projected expenses. The accountability of the CFI was further increased with the passage of the *Federal Accountability Act* passed in December 2006, which made the CFI, along with four other foundations, subject to the *Access to Information Act* (TBS, Feb. 22, 2007).

The funding provided to the CFI by the government in its 2009 Budget was tied to specific competitions and suggested a new level of government involvement in the organization's spending decisions. The Budget announcement included \$600 million

“for future activities of the Foundation, including the launch of one or more new competitions by December 2010 in support of areas of priority identified by the Minister of Industry in consultation with the Canada Foundation for Innovation, and guided by the Foundation’s strategic plan” (149). That strategic plan itself was to be developed in collaboration with the Minister of Industry to guide the CFI’s activities and competitions beyond 2010. With respect to this change in the government’s relationship with the CFI, one former board member stated, “I wanted to be in an organization that will have freedom to maneuver, that will be based on excellence in university research, excellence in the infrastructure. It is no longer working that way anymore, but that is after 12 years because the way the government is managing the CFI right now it is beginning to put fences around what it can do, because it is no longer giving it \$800 million or \$500 million or whatever. It is yearly budgets and now it is determining where it will spend its money” (17, 09/11/2010).

CFI: The Independent Foundation Instrument Choice

The following section of this chapter will consider the choice of an independent foundation to undertake the CFI’s mandate using the theoretical framework established in Chapter 2.

Foundation Characteristics

Notwithstanding the success of the CFI, the research for this dissertation illuminates the prominence of the presence of better than projected financial results in the government’s decision to provide funding to the CFI initiative through an independent foundation (5, 29/09/2010; 11, 15/10/2010; 14, 28/10/2010). While there is no doubt that

the CFI fulfilled policy objectives related to increasing Canada's research and development capacity, the policy context of better than projected financial results was the primary impetus to the use of the foundation instrument in this instance. The foundation mechanism allowed the government to expend money to achieve federal objectives without encumbering future finances.

Regardless of the policy objectives associated with its implementation, the foundation policy instrument has two distinct financial attributes. First, it presented a means to use funding that would otherwise go to reduce the debt to implement a major federal initiative. Second, the one-time funding mechanism provided the third party with funding for a multi-year initiative while avoiding the creation of an ongoing liability against the fiscal framework, which would have resulted from the use of an instrument that relied on annual appropriations for its funding. Because of the prominence of these attributes in the minds of officials and politicians, the creation of the CFI did not follow the textbook understanding of the public policy process. In that version, a problem is identified, an objective or goal is set for improvement to the problem, potential actions are established along with related risks, and an instrument choice decision is made based on this analysis (TBS, 2007c). Rather, the instrument was identified before, or at the very least, in lockstep with the problem it was to address. As a result, it is reasonable to conclude that the independence of the foundation, which enabled the transfer of funds, was the single most important characteristic of the instrument in the decision-making process.

The characteristic of independence was also viewed as supporting objectivity in the allocation of funding. Eddie Goldenberg, then senior advisor to Prime Minister

Chrétien, argues that the independence of the foundations served as a barrier to the tendency of Members of Parliament to attempt to secure at least a proportional share of government spending on any initiative for their constituencies. He also suggests that while the CFI was able to withstand pressure from Members of Parliament to award grants to universities that did not meet the Foundation's objective grant criteria, this ultimately led a number of politicians to be strongly opposed not only to the CFI, but to arm's length foundations in general (Goldenberg, p. 366).

In interviews conducted for this dissertation, representatives of CFI and government representatives at the political and bureaucratic levels noted that freedom from political interference has allowed the CFI to focus on the merits of individual proposals without the concern for an equitable regional distribution of funding that is almost always required within federal government projects. In particular, they noted that its independence allowed CFI to use a process of expert peer review to make funding decisions based on established eligibility criteria with the knowledge that those decisions would be free from political interference (2, 24/09/2010; 4, 24/09/2010; 14, 28/10/2010). Thus, perhaps surprisingly, the independence of the CFI supports a government decision to pursue excellence rather than the more traditional government goal of equity.

However, beyond the fact that it would ensure that the initiative had funding in future years, the advantages that the multi-year funding provided to the planning capabilities of the CFI do not seem to have been a major consideration to the government officials involved in its creation. There is no evidence of this line of analysis in the documents obtained for this research through access to information. Rather, these benefits appear to have been more of an afterthought, although one official did note that

the university stakeholders did not want to be subject to the vagaries of program cuts which were occurring in the federal government at that time (5, 29/09/2010).

In comparison, CFI officials viewed the multi-year funding as essential to their success. Their reasoning was that institutions that approached them with multi-year projects needed to be assured that the funding would be there throughout the project lifecycle. They also noted that multi-year funding reinforced the organization's independence.

Representatives of the CFI also noted that the organization's funding agreement with the Government of Canada gave them a broad mandate, leaving them with flexibility to design their programs based on the needs of the research community (3, 24/09/2010; 13, 27/10/2010). The CFI offers the following favourable assessment of the foundation model.

Operating as a foundation enables the CFI to carefully plan its investment with a medium- and long-term perspective, and ensures the timely implementation of research infrastructure projects. It also makes possible the design of innovative and flexible programs by encouraging universities and research institutions to identify their own research priorities and develop strategic plans. A key feature of the CFI model is its built-in mechanism to ensure that funds are spent wisely and on projects that offer the highest return on investment. As an independent organization operating at arm's length from government, the CFI relies on experts in various fields to guide the funding process. Its independent merit review process, which involves world-class researchers, research administrators,

and users of research results from Canada and abroad, ensures that only the very best projects get funded. (*Annual Report*, 2005, p. 15)

As indicated by the previous quote, the independence of the CFI is closely linked with its external expertise and multi-year funding characteristics. In turn, the ability to harness external expertise and the capacity for multi-year planning support the organization's efficiency and effectiveness, as well as its legitimacy in the eyes of stakeholders. In terms of legitimacy, the academic community would have regarded peer review of proposals as a more legitimate selection process than a review by government officials. One official mentioned that the CFI already had a strong support network at its inception as it was linked into the AUCC, CAUT and other university organizations (11, 15/10/2010). A Department of Finance document notes, "The fact that the Foundation would be at arm's length from government and would include representation from the private sector would lend additional credibility to the initiative" (DoF, 1996, Oct. 24).

It is hard to imagine that the independence of the foundation would lead to a better rating for manageability than the most obvious alternative of mandating the existing granting councils³⁷ with the CFI's mandate. The independence, external expertise and multi-year funding characteristics would all detract from the government's ability to directly control the instrument. However, manageability does not appear to have been a particular concern. As suggested by Doern, confidence in the university/academic community may also have played a role in alleviating concerns (2002, p. 136). One individual also noted a belief among officials that since the CFI was

³⁷ Canada's three research granting councils: the Social Sciences and Humanities Research Councils, the Natural Sciences and Engineering Research Council, and the Canadian Institutes of Health Research. The councils are federal agencies that are part of the Industry and Health portfolios.

created by legislation any problems that arose could be rectified through the legislation (14, 28/10/2010).

While the use of an independent third party to deliver research infrastructure might, at first glance, seem to limit the visibility of the federal government, there are a number of mitigating factors. First, the funding agreement between the government and the CFI requires that CFI communications mention the federal government's role in funding the organization. In practice, the CFI always partners with the federal government in announcing the national results of its funding programs (2, 24/09/2010). Also, while the general public may not always realize that a research building being constructed on a university campus received CFI funding which originally flowed from the federal government, the academic community would and this is an influential stakeholder group that the government would be glad to have onside. On this issue, a former political advisor stated, "to think that a building going up on the U of T³⁸ campus, that everyone is going to know that that is federal money, they won't. I'm not as big on the visibility. I think it is very important that the universities know where it is coming from and that that constituency knows where it is coming from and they did" (4, 24/09/2010).

Offering a slightly different viewpoint, one former CFI official noted that the provision of funding to the CFI provided the government with a high profile, visionary announcement, and then handed its implementation off to the research community, which would bear the responsibility if its membership was in any way dissatisfied with its implementation (13, 27/10/2010). Ultimately, although the funding was placed at arm's length from the government, the CFI initiative gave the federal government visibility

³⁸ University of Toronto

with a high profile stakeholder group while limiting its exposure if individual projects were unsuccessful. It may be reasoned that the relatively low visibility of the foundation mechanism contributed positively to its ranking for legitimacy and excellence (rather than equity) by allowing the government to distance itself from individual funding decisions while still sharing in some of the announcements. Likewise, this low visibility may have positively contributed to efficiency and effectiveness by allowing the organization to focus resources on its core mission without being distracted by political interference. It is difficult to see how the relatively low visibility would impact the instrument's manageability although it may have made it less of a concern.

The mechanism's capacity to support excellence over political lobbying and geographic distribution, and the reduced-risk approach to visibility, as well as its contribution to managing federal-provincial relationships, are very evident in the following quote from a former CFI official:

There was a big backlash from provinces saying you federal government, how dare you do that, and Manley [John Manley, Minister of Industry Canada] was brilliant. He would get letters and he would send them to CFI to reply to them from the provinces and he would say CFI is a not-for-profit organization and therefore you deal with them. I have nothing to do with this. He would stand up when we announced the Canadian Lightsource [CLS] and he was able to say, I can take credit for the government creating this organization, but I can take none of the credit for the decisions that are being made and that should be so because we wanted the decisions to be made on the basis of excellence.

There was the possibility of big projects and they were all lobbying around town, the CLS, the Lightsource was lobbying, everybody who had big ideas, and the government had come to the realization, well how are we going to fund these big things. Who is going to decide? Is it going to be a political decision that we are going to have a CLS in Saskatoon as opposed to London, Ontario? So, they were seeing that. It was clear in terms of our competitiveness on the research front that you needed to invest in infrastructure, because it was hampering our competitiveness. So, it was very clever to say we [will] create the organization that is going to do it, but it is going to be independent from us. If people like the results, we'll get the credit. If they don't like the results we can point at them and say you deal with this organization. They run the show. If they do it badly, well you know, complain to them. (13, 27/10/2010)

As noted above, documents obtained through access to information reveal that the ability of the mechanism to leverage funding from other sources was a consideration in its design. Leveraging funding from other sources would clearly increase the effectiveness and efficiency of federal funding. Leveraging could create manageability challenges by adding additional partners to initiatives and diluting the federal influence; however, these challenges were largely downloaded to the organization and do not appear to have been a concern. The leveraging requirement may have reduced legitimacy in the eyes of stakeholders and certainly raised objections from provinces. On the other hand, it should not have influenced the mechanism's legitimacy in the eyes of the public. Finally,

leveraging would not support equity as some institutions and provinces would have a greater ability than others to contribute to the financing of initiatives.³⁹

The research for this dissertation has revealed little evidence of consideration of automaticity in the choice of the independent foundation instrument. As described in greater detail below, there was a belief among officials that the existing mechanisms, e.g., the granting councils, were not an appropriate mechanism to achieve the policy objectives of the initiative (19, 15/12/2010). There was also consideration, as stated in the “Canada Foundation for Innovation” booklet accompanying the 1997 Budget that the CFI should complement and not duplicate the work of existing entities such as the granting councils and the Network of Centres of Excellence (p. 15).

The CFI possesses a minimal level of coerciveness although it can refuse to fund applicants that do not adhere to the terms of its funding. It is difficult to imagine the form that the CFI’s programming would take if a greater degree of coercion was used; however, the following is an attempt to hypothesize how its degree of coerciveness might impact on decision-makers assessment of the instrument. To begin, it is likely that the low level of coerciveness would be viewed as having a positive impact on effectiveness and efficiency as coercion has associated enforcement costs. The low level of coercion would also have been viewed as supporting legitimacy, as it would be viewed as appropriate by its highly autonomous stakeholders. It seems unlikely that the low level of coercion would be relevant to either the manageability or equity criteria.

³⁹ The CFI did implement some programming such as the University Research Development Fund which was specifically targeted at smaller institutions.

Neoinstitutionalism: Organizational and Contextual Factors

Opinions varied regarding public attitudes and whether the decision to place the funding with an independent third party was due to public distrust of government. When questioned on this, a CFI official suggested that it was more about putting the money in the hands of experts to help move Canada to a knowledge-based economy (2, 24/09/2010). In comparison, one government official mentioned that there were concerns that government programming was not a good way to do capital spending and with institution building within government (5, 29/09/2010). Another former government official pointed to a more general belief that the capacity for the initiative did not exist within government stating, “You say was it because of a distrust of government. No, I don’t think so. We had no sense that we could actually do the job. You wanted people that knew what they were doing to do the job” (19, 15/12/2010).

Public attitudes were also influential in the decision to use the funding to address research infrastructure. The 1994 federal budget set out to reduce the deficit to three percent of GDP; subsequently, some six billion dollars were withdrawn from the areas of health, education, and welfare between 1994 and 1998. These federal cuts contributed to the erosion of government funding for post-secondary education. Although the public sector covered 64 percent of university operating costs in 1993-94, this contribution had declined to 55 percent by 1998-99. In the context of declining federal spending, there was strong support for investments in education. In addition to the coordinated lobbying efforts of the university community, public opinion polling undertaken at the time revealed that investments in education would be viewed even more favourably than investments in health. The announcement of the CFI fit within the 1997 Budget theme of

“Jobs and Growth in a Dynamic Economy.” The Budget stated that “modernizing research infrastructure will help to encourage young researchers to pursue their careers in Canada. It will help to produce graduates who understand and can apply developments in science and technology. . . [and] help to attract skills and investment, and generate local economic activity” (p. 98).

It seems clear that the stakeholder community was influential in the decision to fund research infrastructure but was not directly involved in the choice of policy instrument. As detailed earlier in this chapter, a consortium of university stakeholders presented a Budget proposal for investments in infrastructure in the fall of 1996. This proposal, which strongly resembled the CFI funding in terms of objectives although it suggested using an existing government program to deliver the funding, was clearly considered within the Department of Finance.⁴⁰ University stakeholders were prominent in the pre-Budget advisory group struck by the Department of Finance to advise on the creation of the CFI. Martha Piper, who became President of the University of British Columbia in 1997, and Bob Giroux, then President of the AUCC, were mentioned as having been influential in the decision to provide federal funding for research infrastructure (11, 15/10/2010; 17, 09/11/2010; 13, 27/10/2010). They also were appointed to the CFI’s first Board of Directors.

University stakeholders would not have been familiar with the new conditional grant mechanism at that time. However, key features of the mechanism aligned well with the stakeholders’ preferences. One former Department of Finance official stated, “Well, that stakeholder group also liked the foundation model. Probably, if you had asked that

⁴⁰ As noted above, the proposal was included in Department of Finance documents obtained through access to information.

group of stakeholders whether or not the granting councils should actually be independent and arm's length they would have said yes" (14, 28/10/2010). Similar thinking was noted by a CFI representative who stated, "In terms of the thinking at the start, and the consultation with the community, again it goes back to the principle of if you put the process in the hands of experts, the credibility of the process and the level of acceptance in the academic community will be and has been in theory and in practice much higher than anything that could have been delivered inside of the government, exactly because of the independence, exactly because of the integrity of the process" (2, 24/09/2010).

It is evident from multiple sources that the CFI initiative had strong champions at the political and bureaucratic levels, as well as in the university community. Both the Minister of Finance and the Prime Minister were strong supporters of the initiative. A number of interviewees cited the pivotal role played by C. Scott Clark, Associate Deputy Minister of the Department of Finance at the time the CFI was created, in moving the initiative forward at the bureaucratic level (2, 24/09/2010; 4, 24/09/2010; 5, 29/09/2010; 19, 15/12/2010). According to Eddie Goldenberg, the CFI was to a large extent the brainchild of Scott Clark.

He put together an informal task force of some university presidents, leaders of the Canadian research community, senior public servants including Kevin Lynch, and creative thinkers from the business community to work with the government to develop the idea of the CFI. When he was ready with a concrete proposal, Clark got enthusiastic support from Paul Martin, Chaviva Hosek, and myself, after which the

four of us presented the idea to Chrétien who received it with equal enthusiasm and who agreed that it should be part of the 1997 budget.

(Goldenberg, 2006, p. 344)

Consideration of champions or advocates at the political and bureaucratic levels provides insight into the motivations of the two groups. At the political level, champions viewed the mechanism as a means to firewall the funding from being diverted to other priorities at a later date and to prevent political interference. Further, the government was just coming out of program review, a budgetary exercise which saw it significantly reduce program spending and shed almost 20 percent of its workforce. The fact that the foundation mechanism would not create ongoing financial pressures on the fiscal framework was seen as an advantage of the arm's length organization model. From this perspective, the instrument choice supported legitimacy, effectiveness and efficiency. In terms of bureaucratic ideals, in addition to the desire within the Department of Finance to safeguard future budgets, there was a view within government that the granting councils, the existing mechanism for funding research, were not an appropriate means to implement the planned investment in research infrastructure. One senior Department of Finance official noted "a lot of us felt that it was really important if our institutions were going to make a research contribution going forward that we had to move away from the traditional way of doing things through the granting councils" (19, 15/12/2010). This sentiment combined with a more general recognition that the expertise for funding investments in research infrastructure did not exist within the Government of Canada to recommend the use of an arm's length foundation.

There were unanticipated consequences to the use of an independent third party to achieve the government's objectives, which may be categorized as accountability and legitimacy challenges. One official mentioned that the degree to which the Auditor General was dissatisfied with the model was not foreseen (5, 29/09/2010). This dissatisfaction ultimately led to the consolidation of the CFI within the financial accounts of the government and the loss of the government's ability to immediately expense the funding it provided, a feature which had been a major advantage of the foundation model. Another official suggested that the biggest unanticipated consequence was an overuse of the model, noting it became watered down and was used in a number of instances where it never should have been (11, 15/10/2010).

Summary

1. Criteria and Dimensions:

The *independence* and *external expertise* of the CFI contributed to a positive assessment for effectiveness and efficiency. They also lent legitimacy and political feasibility to an initiative in an area of shared jurisdiction with a strong stakeholder lobby. By limiting government involvement and political interference, these two characteristics supported the pursuit of excellence rather than equity. While the independence should have raised manageability concerns, these appear to have been mitigated by the governance design, including the ability of the government to select a large number of the organization's directors, and may also have been limited by a more general faith in the stakeholder group.

From the instrument choice perspective, *multi-year funding* was effective as it enabled the government to reduce a better than projected financial position in a single fiscal year while providing funding for the initiative for future years. In this respect, multi-year funding supported the initiative's political feasibility, but it increasingly became a hindrance to its legitimacy as accountability concerns were raised. It also supported the efficient and effective operations of the CFI although this seems to have been a relatively minor factor in the decision-making process. Similarly, while it appears that it reduced manageability by limiting the government's ability to take corrective action, this does not appear to have been a significant consideration, presumably because decision-makers had confidence in the proposed governance of the foundation. Multi-year funding does not appear to have been a factor in terms of the equity criteria.

The ability of the foundation to leverage funding from other sources was an important consideration in its design and, therefore, in its selection. Leveraging would increase the effectiveness and efficiency of federal funding by securing additional resources from other sources. It could also be argued to increase legitimacy although this does not appear to have been a significant factor in its selection for the CFI. Leveraging favoured those who were able to access other funds thereby reducing equity. It did not impact the manageability criteria.

With respect to *automaticity*, little consideration appears to have been given to the requirements of establishing a new entity beyond ascertaining that mandating an existing government entity was not the appropriate way to proceed.

The relatively low visibility of the foundation mechanism supported the efficiency, effectiveness, legitimacy and excellence criteria by limiting political

interference and allowing the CFI to concentrate on its objectives. Although the low visibility does not appear to have been a major factor in the instrument choice, it was significant enough to be managed through the funding agreement.

It does not appear that the level of coerciveness was a factor in the instrument choice decision, except to the extent that it is an inherent feature of independent foundations. In this regard, the limited enforcement costs and the leveraging of trusted stakeholders in its implementation could be viewed as increasing the effectiveness, efficiency and legitimacy of the mechanism.

Table 10 summarizes the assessment of the various dimensions in the case of the CFI.

Table 10 Assessment of the Dimensions of CFI

	Effectiveness	Efficiency	Equity	Manageability	Legitimacy
Independence	✓	✓	X	X/-	✓
External Expertise	✓	✓	X	✓	✓
Multi-year Funding	✓	✓	X	-	✓
Leveraging	✓	✓	X	-	-
Automaticity	-	-	-	-	-
Visibility	✓	✓	-	-	✓
Coerciveness	✓	✓	-	-	✓

✓ = positive X = negative - = neutral

2. Neoinstitutionalism:

While *public attitudes* clearly influenced the decision to fund research infrastructure, public attitudes do not seem to have been a significant factor in the choice of the foundation mechanism. In particular, there is little evidence to support the belief that public distrust of government influenced the decision to implement the mechanism. On the other hand, the continuing criticism of the AG created public concern about the mechanism, leading the government to strengthen its accountability and limit its independence in terms of both reporting and priority setting.

Both *bureaucratic and political decision-makers* believed that the independent foundation mechanism was well suited to research and university stakeholders who had a history of relative autonomy and peer review. However, at both levels, the ability to expense surplus funding in a single year and firewall the fiscal framework from future demands appear to have been the primary motivation.

Strong *champions* existed for the initiative at both the bureaucratic and political levels.

The *policy context* of a year-end surplus was highly influential to the choice of mechanism, while public support and the influence of a strong stakeholder lobby supported the choice of investing in research infrastructure.

3. Challenges, Implementation Issues and Policy Learning:

The accountability and legitimacy concerns raised by the AG regarding the foundation mechanism eventually led the government to consolidate the CFI within the government's accounts, fundamentally changing the relationship between the two by

acknowledging the extent of federal control of the CFI. Manageability challenges do not appear to have been a major factor in the decision-making process.

Conclusion

The CFI appears to be an exemplar of the foundation model. That the CFI is both effective and efficient is born out in the results of numerous audits and evaluations. It also appears that the CFI is regarded as being legitimate and credible by its stakeholders and government officials. In the words of one CFI official, “in the hands of experts, the credibility of the process and the level of acceptance in the academic community will be and has been in theory and in practice much higher than anything that could have been delivered inside of the government, exactly because of the independence, exactly because of the integrity of the process” (2, 24/09/2010). There can be little doubt that the government has been satisfied with its outcome. Although it started out with a five year mandate in 1997, the CFI has received additional funding from both Liberal and Conservative governments over the past fourteen years.

Despite the success of the CFI initiative, a number of factors have caused the government to fundamentally change its approach to the organization. These factors include: public concerns with the accountability and legitimacy of the mechanism, as elaborated by the AG; the evolving operating framework, which included newly elaborated standards by the Public Sector Accountability Board; and more general trends for greater government accountability, as evidence in the *Federal Accountability Act*. Ultimately, the government acknowledged a level of control sufficient to justify consolidating the CFI within the government’s accounts. In turn, this action eliminated

the government's ability to provide the entity with multi-year funding while expensing it in the year it is provided. Although the government has continued to make multi-year funding commitments to the CFI, and the CFI generally appears to be operating as usual, changes in the government's approach to the CFI have limited the autonomy of its Board of Directors to determine the organization's priorities, while it still remains accountable for all funding decisions. It remains to be seen where this trend will lead, although, interestingly, the only research money provided in the 2011 Budget Plan was allocated to the three granting councils and not to the CFI.

CHAPTER 5: CANADA HEALTH INFOWAY

Introduction

Canada Health Infoway (Infoway) is an independent, not-for profit, shared governance corporation incorporated by Letters Patent under Part II of the *Canada Corporations Act*. In March 2001, the Government of Canada provided Infoway with \$500 million to accelerate the development and adoption of modern systems of information technology, such as electronic patient records, in health care.

Electronic Health Records

An electronic health record (EHR) is a secure, electronically accessible, lifetime record of an individual's medical history and care. An EHR can be accessed online from many separate, compatible systems within a network. Electronic health records are intended to replace paper-based health records to improve the efficiency and effectiveness of Canada's health system. By making complete patient histories readily available to health care professionals, it is envisioned that EHRs will greatly reduce unnecessary or duplicate diagnostic tests, multiple prescriptions, and the risk of adverse drug reactions, ultimately reducing patient wait times and costs while improving health care outcomes (OAG, 2009, p. 5).

Vision and Consultations

The development of Infoway and the associated initiative to create a pan-Canadian system of health care information may be viewed as a single policy response to

two questions that were prominent in Canada in the 1990's: how to manage rapidly increasing health care costs, and how to utilize changing information technology.

The 1990's saw a significant reduction in federal funding for health care. At the same time, provinces were attempting, with limited success, to reign in their annual increases in health care spending. From 1990 to 1999, provincial and territorial spending on health care increased from \$42.5 billion to \$55.6 billion (Provincial and Territorial Ministers of Health, p. 16), exacerbating traditional arguments regarding the appropriate provincial and financial shares.

Supporters of the development of an information infrastructure or "infostructure" for health viewed it as a solution to many of the challenges facing health care in Canada. It was argued that access to electronic health records could reduce or prevent adverse patient outcomes by making patient histories available to caregivers, reduce costs to the system by eliminating repeated diagnostic testing, and assist patients in receiving care where they were located. A former senior Health Canada official summarized the policy rationale for electronic health records as follows:

We all knew that there were big efficiency gains if we could move from a paper-based system to an electronic system, if we could move health records around, if we could have them transferable, if all the images that had been taken could be accessed elsewhere, if we could deal with prescriptions, so that it all was electronic and so that every doctor who was prescribing would know everything that had been prescribed, often by other doctors, that the pharmacist would know that. We knew there were

tremendous efficiency gains to be had, but it would require many major changes in the way we went about the delivery system. (19, 15/12/2010)

Early Policy Development

Support for electronic health records developed throughout the 1990's. In April 1994, the Government mandated the Information Highway Advisory Council (IHAC), comprised of 29 members drawn from business, labour, governments and community groups, to undertake a wide-ranging examination of how Canadians could benefit from the information highway. When IHAC's report was released in 1995, one of its 300 recommendations was the creation of an advisory council to identify information technology applications for the health sector. This recommendation was one of a series of public efforts to determine how the health sector could benefit from rapid advances in information technology.

In 1997, the National Forum on Health, which was established in October 1994 to advise the federal government on innovative ways to improve Canada's health system and the health of Canadians, released its final report entitled, *Canada Health Action: Building on the Legacy*. The report concluded that the federal government should support the creation of a nationwide population health information system.

In line with the National Forum on Health's report, in August 1997, Health Canada established the 24 member external Advisory Council on Health Infostructure. The Council included representatives from a wide range of health sector stakeholders as well as several federal government representatives. It was given an 18 month mandate to provide advice on how information technologies and systems could best support and promote more informed decision-making by health professionals, administrators,

planners, policymakers and individual Canadians. The Council's final report, released in February 1999, concluded that a nationwide health information highway could significantly improve the quality, accessibility and efficiency of health services in Canada. The report described a vision of a "Canada Health Infoway" that:

empowers individuals and communities to make informed choices about their own health, the health of others and Canada's health system. In an environment of strengthened privacy protection, it builds on federal, provincial and territorial infostructures to improve the quality and accessibility of health care and to enable integrated health services delivery. It provides the information and services that are the foundation for accountability, continuous improvement to health care and better understanding of the determinants of Canadians' health. (ACHI, p. 6)

The Council also noted that collaboration among federal, provincial, and territorial governments would be a critical success factor and cited a federal responsibility to foster cooperation and collaboration among provincial and territorial governments to ensure the integration of individual systems.

Following the release of the Advisory Council report, in June 1999, the federal, provincial and territorial Deputy Ministers of Health created their own Federal-Provincial/Territorial Advisory Committee on Health Infostructure. This committee included representatives from all jurisdictions, as well as from the Canadian Institute for Health Information (CIHI) and Statistics Canada, along with four external members. Deputy Ministers charged the committee with the development of a blueprint and tactical plan for implementing a pan-Canadian health Infostructure. The blueprint was to:

identify the essential information and technology components in a national health information structure and recommend a tactical plan to develop the “infostructure” building upon existing federal, provincial and territorial investments (Canada’s Health Infostructure). The resulting *Blueprint and Tactical Plan*, released in December 2000, identified the development of electronic health records as the central building block and top priority for the creation of a pan-Canadian health infostructure.

The *Blueprint*, which was later written into the Infoway funding agreement as a guiding document (OAG, 2002), lays out five guiding principles that provide useful insight into how Infoway operates, as well as its challenges and objectives in trying to implement a pan-Canadian system of electronic health records. These principles are: *collaboration*, implying a system that is created and used collectively by stakeholders; *needs-driven*, dictating that the system supports both existing and emerging needs of the Canadian health system; *accessibility*, denoting that it should improve the availability, reliability, quality and management of health information; *interoperability*, alluding to the need for connectivity among systems in different provinces and regions of the country; and *protection*, referring to the requirement to ensure protection of personal health information. In closing the *Blueprint*, the Advisory Committee reiterated the Council’s emphasis on the importance of collaboration with provinces and territories stating, “The challenge of federal, provincial and territorial governments will be to develop and implement the components of that infostructure in a collaborative and mutually beneficial manner” (p. 32).

The Foundation Mechanism

While the Advisory Council and Advisory Committee released public reports on the need for an electronic health information system and particularly for electronic health records, there is little publicly available information on the decision to use a foundation mechanism to fund electronic health records. Further, an access to information request to Health Canada did not yield any information.⁴¹ This case study is, therefore, heavily dependent on the information gleaned from interviews for the analysis of this decision. This information does not provide the contemporary evidence that would be provided by a written record from the period of the decision, but it does provide insight into the reasoning and motivation behind the decision.

Regarding the decision of federal, provincial and territorial governments to cause the creation of Infoway, the organization's first *Annual Report* emphasized horizontal coordination and consistency across jurisdictions, stating, "By setting up an independent corporation, the partners were acknowledging the need for Infoway to have a consistent and sustained approach, to work across all sectors, to have the flexibility required to leverage its resources, and to reflect the partnership of governments in Canada that is necessary for success" (Infoway, 2002, p. 5). The organization's second *Annual Report* reaffirmed the value of the model noting, "This unique organizational model allows Infoway to move quickly, maintain a consistent approach, and work collaboratively with both the public and private sectors" (Infoway, 2003, p. 1).

⁴¹ The ATI request to Health Canada sought "Briefing notes prepared between February 1, 1999 and June 30, 2000 pertaining to potential mechanisms to provide federal funds for the purpose of the development and adoption of modern systems of information technology, such as electronic patient records, in health care in Canada."

An interview with a former Health Canada official involved in the creation of Infoway provided a more detailed description of the factors influencing the decision to invest in an electronic health information system through a foundation mechanism. This individual started by noting that by the late 1990's departmental officials were convinced of the need for investments in electronic health information and were examining the question of the appropriate implementation mechanism. He then described a variety of factors that were weighed in the final decision, starting with consideration of the appropriate federal and provincial roles. He indicated that the federal government recognized that it could influence the direction of investments in health information through fiscal levers but that at the operational level health is very clearly provincial jurisdiction and that this jurisdiction is jealously guarded. He further explained that Health Canada had undertaken an examination of international examples, particularly Britain's National Health Service (NHS), and that these revealed national level efforts on a framework for a health information strategy that included such things as privacy, security and technological standards, and identification of the fundamental building blocks of a health infostructure (21, 06/04/2011). This description of NHS leadership in the creation of a national framework to support the development of compatible systems parallels Health Canada's early efforts to support a coordinated approach to develop a pan-Canadian health Infostructure. In particular, Health Canada played a pivotal role in the creation of the Federal-Provincial/Territorial Advisory Committee on Health Infostructure, which was charged with identifying the essential information and technology components in a national health information structure, as well as a tactical plan to develop the "infostructure" building upon existing federal, provincial and

territorial investments. This individual also noted several considerations specific to the funding, in particular: that it would remain focused on the agenda rather than being diverted to other uses; that it should be linked to concrete deliverables; and that it would be preserved for the initiative even if the timelines for the deliverables were extended (21, 06/04/2011).

A similar, but less detailed description of the decision was provided by another former senior official at Health Canada. This individual explained the difficulty of securing funding for the development of electronic health records in view of the often urgent and highly visible needs of front line services in the health care system. In his words:

It's very hard for a provincial minister or ministry to actually take money away from current services and make investments for the future. Ideally, that is what should be done, but if you think of the position of a provincial minister having to shut beds or not deliver on expected services in North Bay in order to fund some propeller head to work out an electronic system for health records, it is very clear why it is very difficult for the provinces, or for provincial ministers to make that reallocation. (19, 15/12/2010)

In describing the considerations leading to the decision to fund the electronic health information initiative this individual emphasized the need to ensure that federal funding could not be diverted to other uses, and to secure provincial collaboration and interoperability of systems between jurisdictions, noting:

We were trying to find a mechanism that would allow federal money to flow for this, that would prevent that [money] from being snaffled for day-

to-day front line services and would bring together the provinces so that we could develop something in common rather than people going at it piece by piece and the pieces not fitting together. So, that was the problem we were confronted with and the question was how to go about it.

Well, ideally, the way to go about it would have been to create some sort of national electronic health services outfit that would engender provincial cooperation and build on expertise that was there, but at the same time not allow the money to get diverted into other uses, and I would say that there were a lot of people who were fairly keen, but there wasn't enough will that you could get health ministers to sit down at a table and all agree on this and have a budget for it which was totally independent of the provinces' ability to use it for other things and it was quite clear you couldn't do it simply by increasing federal funding and saying, 'gee boys, we hope this is what you will use it for' because the small p politics at the provincial level would militate against that being done and so the solution that we came to was to create the Infoway which is independent; there was a committed amount of federal funds.

I don't know in the end whether it was the best solution, but it was the only one we could come up with to try to achieve what was going to be expensive in just the technology and the hardware, but also very expensive in terms of getting people to use it – getting the doctors, especially the old doctors, to use the screen rather than their traditional way of doing things.

(19, 15/12/2010)

This individual also spoke about the anticipated negative reaction of stakeholders to the imposition of a nation-wide electronic health records initiative. In his words, “you just got complaints from doctors when you were telling them that they had to use a different way to write a scrip, or from hospitals when they had to change their current electronic system to fit in with something new that you were going to devise and quote, ‘impose on them,’ unquote” (19, 15/12/2010). He also alluded to experience with other applications of the mechanism when discussing the decision to use the independent foundation mechanism, stating “It was a mechanism that was kind of there. The Health Services thing [CHSRF], I guess was a bit of a model. CFI I guess was a bit of a model” (19, 15/12/2010).

Federal Funding and the Creation of Infoway

In September 2000, First Ministers reached a milestone agreement on health, developing an 8-point action plan for health system renewal that included a planned federal investment of \$500 million in an independent corporation mandated to accelerate the development and adoption of modern systems of information technology in health care, particularly the adoption of electronic health records.

Approximately one month after the announcement of federal support for modernizing health care through information technology investments, the *Canada Health Care, Early Childhood Development and Other Social Services Funding Act* received Royal Assent, on October 20, 2000. The *Act* empowered the Minister of Finance “to make a direct payment of \$500 million for the fiscal year beginning on April 1, 2000 to a corporation, to be named by order of the Governor in Council on the recommendation of

the Minister of Health, for the purpose of defining standards governing shared data to ensure the compatibility of health information networks.”

On January 22, 2001, Canada Health Infoway Inc. (Infoway) was incorporated by Letters Patent under Part II of the *Canada Corporations Act* as a not-for-profit organization with a provisional board of directors (Infoway, 2002). In March 2001, a Memorandum of Understanding was signed between Infoway and the Government of Canada and the \$500 million was transferred to Infoway in April. In June 2001, the Members of Infoway — the federal, provincial and territorial Deputy Ministers of Health — met to formally elect and appoint the members of Infoway’s Board of Directors.

The government’s decision to devote funding to electronic health records was subsequently reinforced by two major studies of Canadian health care released in 2002 (Kosseim, 2005). In October 2002, the Senate Standing Committee on Social Affairs, Science and Technology’s *Final Report on the State of the Health Care System in Canada – The Federal Role*, “the Kirby Report”, stated, “an EHR system is the first step in gathering health-related information that will allow for evidence-based decision making throughout the whole health care system. An EHR system also offers tremendous opportunities to integrate the various components of Canada’s health care system that currently work in silos” (p. 175). The report recommended that the federal government provide Infoway with an additional \$2 billion over 5 years to develop a national system of electronic health records in collaboration with the provinces and territories.

In November 2002, the Romanow Commission provided a similar endorsement of electronic health records and the work of Infoway in its report, *Building on Values: The*

Future of Health Care in Canada. This report, commonly referred to as “the Romanow Report”, identified electronic health records as “one of the keys to modernizing Canada’s health care system and improving access and outcomes for Canadians.” The report specifically referred to Infoway’s role in the establishment of EHR’s saying, “Canada Health Infoway should continue to take the lead on this initiative and be responsible for developing a pan-Canadian electronic health record framework built upon provincial systems, including ensuring the interoperability of current electronic health information systems and addressing issues such as security standards and harmonizing privacy policies” (cited in Kosseim).

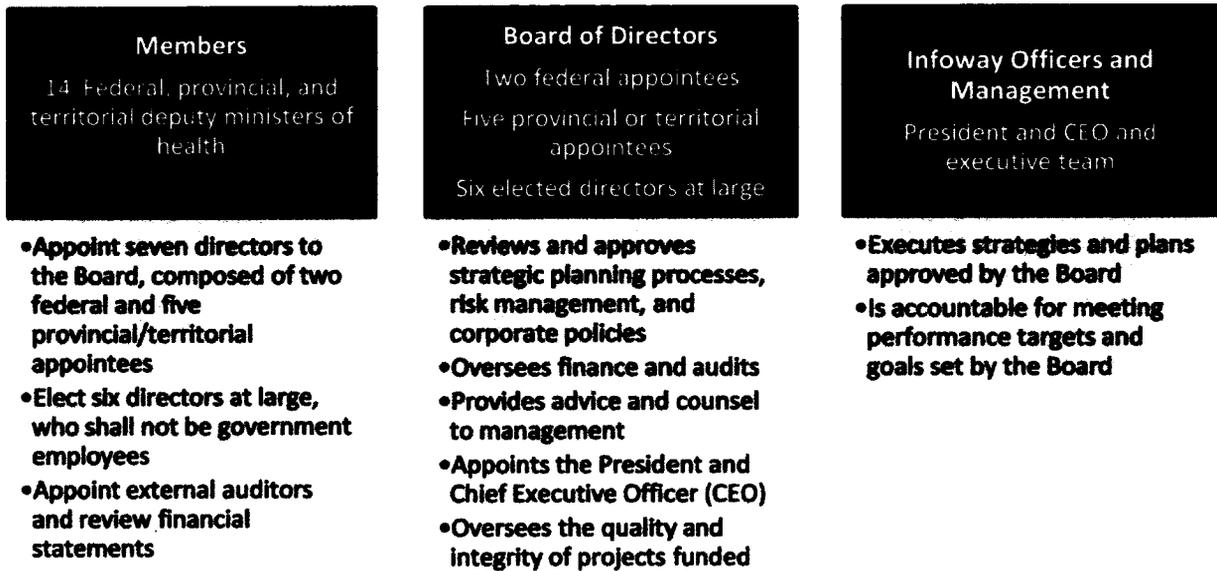
Structure, Mandate and Activities

Governance

The governance of Infoway consists of a Board of Directors and Members. The Deputy Ministers of Health in Canada’s federal, provincial and territorial jurisdictions are the 14 Members of Infoway. The Members are comparable to the shareholders of a private for-profit corporation and provide general oversight and direction. The Members elect six directors at large to the Board of Directors. The remaining seven directors are composed of two federal appointees and five provincial or territorial appointees. The Board of Directors appoints the President and Chief Executive Officer. The Board’s role is to provide independent judgment on a broad range of issues. It is responsible for, among other things, ensuring that the Corporation operates in a manner that preserves its financial integrity and in accordance with the by-laws, funding agreements, applicable

laws, and policies approved by the Board (OAG, 2009, pp. 11-12). Infoway's governance structure is illustrated in Figure 5 below.

Figure 5 Canada Health Infoway Governance Structure



Source: Adapted from Canada Health Infoway 2009-10 Annual Report, p. 27

Infoway's current Board of Directors includes: Graham Scott, Chair of the Board, Tom Closson, President and CEO, Ontario Hospital Association, Dr. Anne Doig, Family Physician and Associate Professor, Don Ferguson, Deputy Minister of Health, Province of New Brunswick, Daniel Gagnier, Former Vice-President, Alcan, Michael MacDougall, Chief Operating Officer, Ministry of Health Services and Health Planning, Government of British Columbia, Christine McGinley, Senior Vice President, Operations for Canwest Broadcasting, Arnold Park, Partner, Cedar Bay Grilling Company, Milton Sussman, Deputy Minister of Health, Province of Manitoba, Saäd Rafi, Deputy Minister of Health and Long-term Care, Province of Ontario, Anne-Marie Robinson, Associate Deputy Minister, Health Canada, Lise Verreault, Associate Deputy Minister, *Ministère de la*

Santé et des Services sociaux, Constance L. Sugiyama, Senior Partner, Gowling, Lafleur, Henderson, LLP, and Sheila Weatherill, Past President and CEO, Capital Health, Edmonton.⁴²

In October 2003, before the Standing Committee on Government Operations and Estimates, then President and CEO of Infoway, Myrna Francis, described the creation of Infoway as follows:

In September 2000 . . . all governments acknowledged that there needed to be some kind of vehicle, a structure, a corporation, that would ensure that the approach would be consistent and it would be sustainable, that it would foster and nurture this type of partnership, this collaboration among governments, which is absolutely critical if we're going to have these systems that work and are in place, but would also provide enough flexibility to actually leverage their resources. Canada Health Infoway was the response to this need. (*Evidence*, 1600)

Ms. Francis testimony also provides insight into many of the advantages foreseen for the mechanism at the time:

The belief was that if it was set up in an equilateral way and that all 14 members had equal responsibility, there would be a higher probability of success. I think what we're seeing is that in fact this is starting to play out. So in terms of being equilateral – and people are quite specific when you talk to each of the governments – it truly is that no one government has a sole oversight to this organization, whether it be the federal government, provincial, etc. As a result of it, we're getting collaboration and

⁴² Board of Directors as of Nov. 6, 2011.

cooperation. We're getting our objectives met, but we're also leveraging money, because, remember, for every dollar we put in we're now starting to see a two-to-one ratio, and the contributions by the other members are equal. Because of the way we're set up, with the 14 deputy ministers, they in fact are working through their accountability processes to their ministers and to the public with respect to the funds that are met. Through extensive negotiation with the governments – and let me add again that it was the provincial, territorial, and the federal governments – they arrived at the structure that we currently have, and it was unanimous that this was the only way to proceed if we were going to get these systems in place.

(Evidence, 1600)

Mandate and Initial Operations

Much of the first year of Infoway's operations was dedicated to establishing an organizational infrastructure. The first Chair of the Board, Eric Maldoff, acted as the Chief Executive Officer on an interim basis until a permanent CEO was appointed in February 2002. Work during this interim period included development of a mission, vision and objectives, an environmental scan of electronic health record solutions, and development of standards for the construction of a pan-Canadian electronic health information system.

Infoway established its mission “to foster and accelerate the development and adoption of private and secure electronic health information systems with compatible standards and communication technologies on a pan-Canadian basis with tangible benefits to Canadians”. Its objectives were identified as:

- To accelerate the development and adoption of modern systems of health information and communication technologies;
- To define and promote standards governing shared data to ensure the compatibility of health information networks;
- To support the adoption of such standards for health information and compatible communication technologies for the health sector in Canada;
- To enter into collaborative arrangements as required with the governments of Canada, the provinces and territories, corporations, not-for-profit organizations and other persons for the development and adoption of the standards and technologies;
- To incorporate standards that protect personal privacy and confidentiality of individual records, and security of health information; and
- To undertake its work in both official languages of Canada (Infoway, 2002).

Along with its initial mission and vision statements, Infoway set two major targets: 1) by the end of 2009, every province and territory and the populations they serve will benefit from new health information systems; and 2) by the end of 2009, 50 percent of Canadians will have their electronic health record available to their authorized health care professionals (AG, 2009). As noted by Infoway, progress on this goal is tempered by the need to ensure interoperability and, at times, by the capacity of provincial governments to provide the necessary funds and deliver the projects (Standing Committee on Health).

Infoway's first year of operations witnessed the development of organizational systems and policies, including recruitment of staff, establishing intellectual property,

conflict management and conflict of interest policies, and an investment policy for the \$500 million in federal funding. Infoway also undertook a series of consultations with stakeholders across Canada to inform the development of its initial business plan (Infoway, 2002). In 2002-03, the organization shifted into full operations with the development of an EHR solution blueprint and investments in foundational elements for EHR solutions.

Although the original Memorandum of Understanding between the government and Infoway is not publicly available,⁴³ a section of the funding agreement put in place in 2003 with regard to the total \$1.1 billion provided to Infoway up to that point was included in the organization's 2006 evaluation (BMB Consulting, p.ii). That section, reproduced below, provides evidence of the tasks delegated to Infoway and the level at which they were elaborated.

**Section 4.2 of the 2003 Funding Agreement
between Health Canada and Canada Health Infoway**

4.2.1: Infoway shall endeavour to achieve the expected outcomes specified in the annual corporate plans referred to under section 5.2.6 to be developed by Infoway and approved by its board of directors and presented to its Members in respect of the outcomes listed below in sections 4.2.1.1 to 4.2.1.9 over the next five years (2003-2008). ...subject to, and conditional upon, the collaboration of F/P/T

⁴³ The government does not regularly publish conditional grant agreements with third parties. Some organizations have chosen to make their funding agreements with the government public while others have not. The Asia-Pacific Foundation is one organization that has posted its funding agreement on its website. This document is available at http://www.asiapacific.ca/sites/default/files/old_assets/APF_Admin/APFendowmentagreementMarch2005.pdf.

[Federal/Provincial/Territorial] jurisdictions within Canada in which Infoway operates or seeks to operate.

4.2.1.1: The definition and adoption of Information and Technology Standards to support an interoperable EHR.

4.2.1.2: The development of the EHR Solution Architecture.

4.2.1.3: The development of the basic elements of the EHR Health Infostructure and Security Infostructure.

4.2.1.4: With respect to EHR solutions only, the development of reusable health Information Building Blocks, such as mechanisms to uniquely identify clients (e.g. patients) and health care providers.

4.2.1.5: With respect to EHR solutions only, implementation of interoperable electronic health record solutions which enable integration of information flow between various points of the health system such as order entry and results management, and which takes into account F/P/T initiatives and priorities.

4.2.1.6: The expansion of Telehealth in Canada, which takes into account community readiness, and which takes into account F/P/T initiatives and priorities, to reach communities in rural and remote areas, such as official language minority and Aboriginal communities.

4.2.1.7: The development of reusable tools/assets to address the human factor in EHR and Telehealth adoption, such as change management and process transformation and knowledge transfer and sharing.

4.2.1.8: The development of a pan Canadian, multi-jurisdictional approach in the conduct of Infoway's work.

4.2.1.9: The development of software solutions which allow the integration and convergence of Telehealth across and within jurisdictions in Canada following an assessment of the feasibility and need of and for such interfaces. (BMB, p. i)

The funding agreement clearly outlined the priority areas in which Infoway was expected to make progress during the five-year period covered by the agreement; however, Infoway was left to develop the outcomes it would achieve, for example, the number of individuals covered by EHRs at the end of the period. The funding agreement also very clearly directed Infoway towards the development of an electronic health records architecture that could be integrated across jurisdictions. As such, it notes that Infoway's ability to achieve its established outcomes is "subject to, and conditional upon, the collaboration of FPT jurisdictions within Canada".

Subsequent Federal Funding

As noted above, the federal government made a second investment in electronic health records in 2003. This investment was part of the *2003 First Ministers' Accord on Health Care Renewal*, which stated that "improving the accessibility and quality of information is critical to quality care, patient safety and sustainability, particularly for Canadians who live in rural and remote areas. Better use of information technology can also result in better utilization of resources." Funding for this commitment was provided in the 2003 Budget, which announced an "additional \$600 million to Canada Health Infoway to accelerate the development of EHRs, common information technology

standards across the country, and the further development of telehealth applications" (p. 72).

Following the 2003 allocation of funding to Infoway, the organization has been the recipient of four additional investments for a total federal investment of \$2.1 billion. In Budget 2004, an additional \$100 million was granted to Infoway "to support the development and implementation of a national surveillance system" (p. 100). The surveillance system would use information technology to support the management of potential epidemics. The 2007 Budget announced a further \$400 million for Infoway to support "the development of health information systems and electronic health records" (p. 14). This funding was specifically tied to the objective of improving patient wait times and was announced in concert with the Patient Wait Times Guarantee Trust.⁴⁴ It was also announced that this funding would be provided to Infoway on an annual basis based on the organization's projected expenses.

The 2007 funding was followed by an additional \$500 million in the 2009 Budget to support the goal of having 50 percent of Canadians with an electronic health record by 2010, to speed up the implementation of electronic medical record systems for physicians, and to integrate points of service for hospitals, pharmacies, community care facilities, and patients (p. 152). Provision of the 2009 funding to Infoway was delayed pending what the Department of Finance described as "due diligence" into the project following the November 2009 report of the Auditor General on electronic health records. This report indicated a need for strengthened controls on contracting for goods and services and improved monitoring of project deliverables, as well as noting that Infoway

⁴⁴The Patient Wait Times Guarantee Trust is a third party trust fund created by the federal government in 2007 which provided provinces and territories with \$612 million to reduce patient wait times.

was facing major challenges in reaching its 2010 goal of 50 percent of Canadians having an EHR available to their authorized health care professionals. However, the 2010 Budget announced that Ottawa would proceed with the funding to Infoway, which had developed an action plan to strengthen accountability in response to the AG's report.

Mandate and Activities

As a result of the various federal investments, Infoway's mandate now covers three significant objectives: the development of pan-Canadian systems of electronic health records, telehealth and public health surveillance. These objectives require Infoway to work in close collaboration with Canada's provinces and territories, as well as with the federal government. It works with the provinces and territories, which are responsible for delivering health care, in setting a national direction, and it helps to ensure that provincial and territorial strategies are aligned with national priorities. It also works in partnership with health ministries, regional authorities, and other health care organizations, as well as information technology vendors and suppliers, to identify technological solutions to improve the efficiency and effectiveness of Canada's health care system. For example, to support interoperability, and building on the original *Blueprint*, Infoway collaborated with provinces and territories to develop an agreed set of principles and characteristics for the EHR systems of all jurisdictions in Canada, setting a framework within which each province and territory could adapt its EHR system to its particular needs. Similarly, Infoway consulted with health care professionals, software vendors, and representatives from the provinces and territories to develop common standards for each core system of an EHR, including registries, diagnostic imaging, drug information systems, and laboratory information systems (OAG, 2009). The resultant

design, called the *Electronic Health Record Solution Blueprint* (the *Blueprint*) was released by Infoway in 2003⁴⁵ (OAG, 2009). Infoway indicates that provincial and territorial alignment with the *Blueprint* is essential to achieving EHRs that are compatible across the country.

Infoway describes itself as a strategic investor, focusing on the fact that its investments target and support projects that fit into its overall plan for health information systems. This strategic investor role is achieved through seven complementary strategies which reflect the manner in which Infoway operates. The strategies are: targeting strategic investment programs; collaborating with provincial ministries of health and other partners; co-investing with public sector partners; leveraging investments (i.e. investing in solutions that can be replicated); forming strategic alliances with the private sector; implementing standards-based solutions; focusing on end-user acceptance; and measuring benefits and adjusting (Infoway, 2003).

Infoway manages its investments in the development of a health infostructure through nine funding programs that closely align with the core systems of electronic health records, telehealth and national health surveillance. It will fund a maximum of 75 percent of eligible costs for approved project proposals submitted by provinces and territories. Investments require joint funding from other public sector partners, such as governments, hospitals, regional authorities, other health care organizations and providers or associations (Infoway, 2003). Provinces and territories are responsible for implementing the projects, and for the cost of operating and maintaining EHR systems.

⁴⁵ The 2003 Blueprint has been updated and is posted on the Infoway website at <https://www2.infoway-inforoute.ca/Documents/EHRS-Blueprint-v2-Exec-Overview.pdf>.

Infoway's funding is capped when projects are approved, leaving responsibility for any cost overruns with the provinces and territories.

In providing funding to projects, Infoway uses what it terms as a "gated" funding model. Under this model, funds are released only when specific milestones, or "gates," have been achieved. Provinces and territories usually receive 20 percent of project funding when a legal agreement for a project is signed and a further 30 percent once various project deliverables, such as project charters and system design documents, are approved by Infoway. The remaining 50 percent is not released until provinces and territories demonstrate that certain core systems have been adopted by health care professionals. Specific adoption criteria are established for each project (AG, 2009).

In discussing Infoway's strategic investor and gated funding models, a representative of the organization noted that they were a significant innovation when they were introduced. In his words:

It was a model very much unlike anything that these sort of grant funding agencies had seen up until that particular juncture so it was an interesting dynamic. . . This notion of 'if you build this, they'll come' never really flew with us. It was like, fine, let's make these investments as a strategic investor with a specific set of objectives for a specific set of strategies, with a specific set of outcomes that we expect, and when I say we I am talking about the jurisdictions and Infoway, in terms of the benefits that these investments will yield, and let's use a gated funding approach to say if you don't get the deliverable we're not moving the money. (18, 07/12/2010)

In 2005, Infoway increased its funding share to 75/25 from the original 50/50 split to accelerate provincial participation. Although this change ramped up the rate of investment in projects, it reduced Infoway's ability to leverage partner funding, threatening the overall level of investment in the development of a health infostructure without additional federal investments.

Reflecting on the change in the ratio of Infoway's project financing, one former Health Canada official said, "It didn't cause serious issues because more money was coming and it was viewed as the right thing to do in order to get results, but the bill for the electronic health record, I think the initial estimate was that it was going to take \$1.2 billion and I think now we must be at around \$10 or \$12 billion so it has multiplied by 10 basically" (15, 28/10/2010). However, another former government official had a slightly different interpretation of the anticipated costs of the electronic health records initiative. This individual indicated that there was an understanding at the outset of the initiative that the initial funding would not be sufficient, but that a decision was made to proceed regardless. In his words, "My recollection is we thought at the time that it was going to take something in the order of \$6 or \$7 billion and we probably got a billion or two, so we knew it wasn't enough, but we had to get started" (19, 15/12/2010). In fact, a 2007 study, prepared for Canada Health Infoway in collaboration with McKinsey and Company, estimated the total incremental cost of creating a nationally integrated EHR system by 2017 at \$10 billion to \$12 billion. It also estimated that an additional \$4 billion would be needed to provide integrated systems to health professionals working in long-term care facilities, home care, public health and mental health (Webster).

Performance and Accountability

Although Infoway has developed a strategic approach to creating a pan-Canadian system of EHRs and sound accountability for the management of individual projects, reviews of its performance have been mixed. In particular, it has been criticized for moving too slowly, especially in its early years and it has been forced to extend its target timelines for the development of EHRs. As with all foundations, the AG has raised numerous warnings regarding limited accountability requirements imposed on Infoway. Similar concerns were also cited in Health Canada's own audit of its management of Infoway's funding.

In her 2002 report on new governance arrangements, the Auditor General stated that Infoway met only a small subset of the requirements that the OAG had identified as necessary to ensure appropriate accountability for federal funds provided to arm's length organizations. For example, Infoway met only one of the many forms of reporting to Parliament and the public that the OAG had recommended – reporting performance results to the public. In comparison, the OAG identified: strategic monitoring; Ministerial direction and action; departmental audit and evaluation; and provision for recovery of unspent funds on termination of the delegated arrangement, as necessary mechanisms to ensure appropriate Ministerial oversight.⁴⁶ At the time, Health Canada did not have provisions or plans for the implementation of any of these mechanisms in its arrangements with Infoway. The AG's 2002 report also noted that the funding period of the initial \$500 million provided to Infoway was “not clear” (p. 35).

⁴⁶ See Chapter 3, p. 100 of this dissertation for a more detailed explanation of the framework for new governance arrangements proposed by the OAG.

The terms and conditions of the agreements between Health Canada and Infoway have evolved over time as the requirements associated with the funding have changed. Infoway's original allocation (2001) was governed by a Memorandum of Understanding with Health Canada. With the additional funding that Infoway received in 2003, a funding agreement was signed covering both the 2001 and 2003 allocations. A separate agreement was entered into for the 2004 funding allocation (Health Canada, 2009, p. 7).

As noted in Health Canada's own audit of transfer payments to Infoway, reporting requirements for these early funding installments were quite limited.

Prior to 2007, funding to Infoway was provided in the form of a conditional grant. The approved funding was disbursed as an upfront lump sum payment. The terms and conditions of the funding agreement did not require formal reporting to Health Canada. There were no ongoing monitoring activities, except for informal communications and some analysis by staff. Under the previous governing agreements, Infoway's reporting requirements were limited to its Members, the Board of Directors and making certain information available to the public. (Health Canada, 2009, p. 4)

The audit did go on to note that "despite the absence of these provisions prior to 2007, department officials were proactive in tabling information on Infoway results in Parliament, maintained frequent communications with the recipient and conducted ad hoc analysis" (Health Canada, 2009, p. 4). However, the informal activities undertaken by Health Canada lack the certainty or responsibility imposed by a formal accountability

framework that includes ongoing monitoring and a requirement to report to Parliament through the Minister of Health.

The funding agreement associated with the 2007 federal investment introduced new accountability provisions. Although Infoway was not one of the foundations consolidated into the Government of Canada's accounts in 2005, this five-year funding dictated the disbursement of funds to Infoway based on annual cash requirements (Health Canada, 2009, p. 1). Further, while the earlier agreements only required Infoway to report to its Members, the Board of Directors, and the public, the 2007 agreement included a requirement for direct reporting to Health Canada, as well as provisions related to non-performance and authority to table the recipient's corporate plans and performance results in Parliament. The agreement also allows the Minister to conduct an evaluation of Infoway's activities and to request additional information for the purpose of keeping the Accounts of Canada (OAG, 2009, p.27). These additional accountability requirements conformed to the government's stated position on the treatment of foundations at the time; however, it should be noted that they restricted the organization's independence, tipping the scale closer to government control.

In fall 2009, the OAG released an audit of Infoway focused on the fiscal years 2006–07 and 2007–08. The audit, completed in April 2009, examined both Infoway's management of funds received from the federal government and Health Canada's monitoring of its funding agreements with Infoway. While noting that "Infoway has accomplished much in the eight years since its creation" (2009, p. 2), the report also made a number of recommendations for improved financial controls and reporting. Of note with respect to financial controls, the OAG recommended that

Infoway strengthen its management controls over contracting for goods and services, better document its analyses of project deliverables to support its decision to release funds, and obtain the results of conformance testing on systems from the provinces and territories to ensure that funded projects conform to agreed upon standards.

The OAG also took issue with the form of Infoway's stated goal that 50 percent of Canadians will have their EHR available to their authorized health care professionals by the end of 2009. As explained to the OAG by Infoway officials, having EHRs "available" does not necessarily mean that they are being used or that they are compatible across the country (p. 14). In the OAG's opinion, the goal stated by Infoway is likely to be interpreted by many Canadians as indicating that 50 percent of them will have an EHR that is used by their health care professionals and compatible across jurisdictions. The OAG noted that this is particularly problematic since Infoway considers low adoption rates by health care professionals as a serious risk to the successful implementation of EHRs (p. 2). With respect to Health Canada's monitoring of the funding agreements, the OAG noted that the department had developed but not yet implemented a comprehensive monitoring framework.

As noted earlier, following the OAG's report, the funding provided to Infoway in Budget 2009 was delayed by the Department of Finance pending assurance that proper accountabilities were in place. Infoway responded to the OAG's concerns, accepting all of the recommendations in the 2009 report and developing an action plan to implement its responses by March 31, 2010. Subsequently, Budget 2010 announced that the government would proceed with the funding announced in 2009.

When asked about the concerns raised by the Auditor General's 2009 report and the government's decision to withhold Budget 2009 funding, one former Health Canada official indicated that he thought it was an overreaction. In his words, "I think it is a nuisance, even three years later because Infoway was doing all the due diligence, independent audits and so forth, was producing reports and had, according to the by-laws, had to get an audit done every year or two years and I think an evaluation every three years. So I think at Infoway it was perceived as more of a bureaucratic burden, but understandably people were unwilling to resist that drive because the Auditor General is always on the high ground and there is no point resisting" (15, 28/10/2010).

While noting that there was definitely a heavy reporting burden – at one point in 2009 Infoway had five evaluations or audits going on as part of the funding agreement – a representative from Infoway offered a more positive interpretation of the increased accountability requirements imposed on the organization. This individual stressed the value of increased accountability to communicating Infoway's accomplishments. In his words:

It's not just about the money and the counting of the beans, it's about the benefits. It's about how will this initiative drive into sustainability, which is the big operative word now around health care. So, I think it has provided an opportunity where Health Canada and a few of the folks in other departments have had to get a better understanding of what Infoway is doing, how they are doing it. What the strategies are, what the deliverables are. For us, I don't think it has been a negative factor in this piece. (18, 07/12/2010)

Between October 2009 and April 2010, the Auditor General of Canada and the auditors general of six provinces (Alberta, British Columbia, Nova Scotia, Ontario, Prince Edward Island, and Saskatchewan) conducted concurrent performance audits of the development and implementation of EHRs in their respective jurisdictions. The results of these audits were released in April 2010 in *Electronic Health Records in Canada: An Overview of Federal and Provincial Audit Reports*. While the report was generally complimentary regarding accomplishments to date, it noted significant challenges ahead. In particular, it pointed out that, despite the implementation of electronic health record systems in institutional settings such as hospitals and pharmacies, the vast majority of health care interventions take place in physicians' offices and a limited number of Canadian primary care doctors use computerized systems in their offices, limiting the potential impact of EHRs. Along with the high risk that Infoway would not achieve its target of having 50 percent of Canadians with an EHR by 2010, the report questioned where the funding would be found to complete the implementation and whether projected savings of \$6 billion annually would be realized.

Infoway did not reach its target of having 50 percent of Canadians with an EHR by the end of 2009, but is continuing to progress towards that goal. As of December 2010, Infoway reported that 49 percent of Canadians had their EHR available to their authorized health care providers and that it expected to exceed the 50 percent goal in 2011. Infoway's future goal for EHRs is to have them available to 100 percent of Canadians by 2016 (Infoway, 2011) although this still does not deal with the OAG's concern regarding availability versus adoption.

Infoway: The Independent Foundation Instrument Choice

In the case of Infoway, the independence of the foundation was particularly important because it allowed the funding to be held at arm's length from the government and ensured it would be available for the initiative in future years. Interviews with government officials indicate that the ability of the foundation mechanism to secure and safeguard ongoing funding for the electronic health record initiative was of particular importance in the health sector where there is high visibility and significant public pressure for funding to meet short-term, urgent priorities.

Of course, the independence of the organization is closely related to its governance structure, which, in the case of Infoway, is a shared governance with the strong involvement of provincial and federal government representatives. A former Health Canada official involved in the development of Infoway provided the following assessment of the organization's governance structure:

It helped manage the tension that you normally get between a federal government and the provinces and the territories because you can now turn and say, 'look, this is our creature, so we've got to make sure it works', but at the same time they couldn't dictate, no one province could dictate how the organization ran, because the organization had its own management team, etc. It had its board made up of a subset of deputies, but also outsiders so...I think from an accountability and process-wise it actually did a really good job in structuring it and if you look at a lot of the representatives, you know, top notch people got around that table to sort of keep it going in the right direction. (21, 06/04/2011)

A representative of Infoway offered a similar assessment of the organization's governance structure but noted that it places limitations on the organization's independence. In his words:

If you look at the independence of the corporation, per se, it certainly is independent. It's certainly not-for-profit, but those degrees of independence are constrained by the Members⁴⁷ who basically receive the corporate business plan. They basically drive in some respects the agenda for the corporation in terms of shaping it at the end of the day. So, there is legal independence and then there's independence, independence, and I think this particular structure has actually struck a good balance in terms of the actual independence of the corporation in both the legal sense and in terms of executing its mandate. (18, 07/12/2010)

Interestingly, while not specifically attributing it to the governance structure, a Health Canada official, in discussing the foundations, and Infoway in particular, placed a caveat on their independence, saying "So, independent, yes, but obviously in terms of receiving funds and having different criteria and restrictions put upon them in receipt of those funds they are still very much an instrument of government. . . as long as there is a financial relationship there are ways and means of control" (16, 09/11/2010).

The independence of the foundation and its related shared governance structure were also important to securing provincial collaboration. Due to its governance structure, the foundation may be viewed as being at one time independent and a joint creature of federal and provincial governments through the influence of its Members. According to a former Health Canada official:

⁴⁷ The Deputy Ministers of Health of the 14 jurisdictions

Putting money into Infoway was a way to slowly increase the collaboration between that entity and the provinces and territories in a way that we couldn't have done at Health Canada. That is one of the big reasons and I think it is one of the big successes of Infoway is that everybody got to the table and Quebec eventually joined because it realized that if it wanted to have money to do the electronic health record it would have to join.⁴⁸ So it did and it felt more comfortable joining Infoway than they would have collaborating with Health Canada. (15, 28/10/2010)

Another Health Canada official voiced a similar opinion regarding the advantage of an independent foundation in securing federal-provincial collaboration, saying "in the area of Health and the relationship between the federal government and the provincial governments, in a number of areas, having these third party organizations is helpful, because it takes it away from the policy on health care and the Minister of Health at the federal level. So, the provinces are much more willing to deal with these organizations - Infoway, Canadian Institute for Health Information" (16, 09/11/2010).

Infoway's governance structure was one of a variety of factors that an Infoway representative felt contributed to the organization's success in collaborating with provinces, reasoning:

This model, for whatever reason, and part of it is the people who are working in the model, I haven't seen this kind of support or this kind of dynamic for a particular initiative as strong as what Infoway has seen or enjoyed from the jurisdictions. I really can say that if I step back and look

⁴⁸ Quebec became a member of Canada Health Infoway in 2004.

over my [past] career in the public service, looking over other models, watching it as an outsider, the support has been extraordinary. Part money I'm sure, but I think part mandate and the idea that this is worth driving for, this is really worth driving ahead and, as I say, that dynamic is probably three or four variables working on that, ranging from the independence of the corporation, the members of the corporation, the actual senior executive working in the corporation. So, it's not a univariable kind of thing that is driving this particular piece ahead. (18, 07/12/2010)

Infoway's governance structure was also cited with respect to the organization's ability to harness external expertise. A representative of Infoway was unwilling to conclude that independent foundations were able to exploit expertise in a way that the government could not. Rather, this individual chose to emphasize a long-term commitment from Board members to Infoway in comparison to what may generally be a shorter-term advisory capacity when government engages experts, as well as the ability of Infoway to more easily engage professionals, e.g., engaging search firms to aid with its search for experts. He also emphasized that the Board of Infoway replicated many of the areas of expertise that are required for a major information technology project in the health sector, noting:

Even the Board reflects the public/private kind of balance that is going on in these pieces. Certainly the external expertise with respect to drawing Board members is clearly a plus for this particular organization and we have optimized on that to a high degree with a combination of health care

backgrounds, financial management backgrounds, information technology backgrounds, to bring that knowledge to the Board table. So, that has been a real plus and advantage on that one and it's actually the members of the Corporation that approve those independent members of the Board so again there is that linkage to the quote unquote owners of the corporation per se. (18, 07/12/2010)

The governance of Infoway and the expertise it is able to access were cited by a current Health Canada official as advantages of the model. In this individual's words:

There is regional representation. You've got people who are from within provincial ministries and then from the health care sector. They have also made sure that they are distributed across Canada . . . and then Infoway has been very careful to also make sure that you have got expertise from the finance sector, legal sector, so it's not all people from health care and if they are health care, one of the past Board of Directors was somebody who was CEO, his background was on the finance side not the health admin side, and that governance was very important. (16, 09/11/2010)

When asked about the influence on the instrument choice decision of the foundation mechanism's ability to harness external expertise, a former Health Canada official suggested that while both the government and the independent organization have the ability to harness external expertise, the context of the independent organization contributed to its success. In his words:

I think if one wanted to and one had wanted to make it a federal priority, the expertise was there within government, not just the federal

government, and you could have put a task force in place and tried to make it happen, but I think it would have gotten bogged down because of the jurisdictional issues and the fact that you have less independence if you are in government. I don't think it could have been achieved. I think because it was an independent organization it was easier to find expertise outside and indeed pay them more than you would have in government.

(15, 28/10/2010)

In comparing the capacities of an independent agency, such as Canada Health Infoway with those of a department or other entity within the Government of Canada to undertake the mandate of electronic health records, the greater flexibility and adaptability of the independent agency were cited as a significant advantage. One Health Canada official indicated that Infoway could adapt its activities to a change in priorities more quickly than would be the case within Health Canada noting, "Infoway itself is not large."⁴⁹ It absolutely is not bureaucratic. One of the big advantages of these [foundations] is that none of them get to be really sizable. Health Canada is almost 10,000 folks. Infoway might be 220 and a lot of those are experts that come in for a certain period of time and then move on" (16, 09/11/2010). A representative of Infoway cited greater flexibility in procurement as an example of an advantage of an arm's length entity that could not easily be achieved within government. In particular, this individual specifically noted that Infoway had been able to negotiate joint procurement arrangements involving multiple jurisdictions that helped to bring prices down (18, 07/12/2010).

⁴⁹ Infoway's programs are implemented through a nation-wide presence with offices in Toronto, Montreal, Halifax and Vancouver. As of March 2010, it had 162 full-time employees.

Closely related to its independence, the multi-year funding attribute of the foundation mechanism was particularly important in terms of signifying a long-term commitment by the government to the initiative and ensuring that the funding would not be diverted to other priorities or discontinued in subsequent years. In the words of one official, “isolating money was a really critical part and, in the world of health care, the health care system sucks up so much on an acute basis that really putting a ring fence around the dollars was probably really an important part of the consideration” (16, 09/11/2010).

A representative from Infoway noted two advantages of multi-year funding: the ability to make a multi-year commitment to jurisdictions for plans that require several years to implement; and the flexibility provided to Infoway by the interest earned from the investment of federal funding.⁵⁰ This individual did not feel that the shift to disbursing federal funds to Infoway on an annual, as needed basis was a major hindrance to the achievement of its objectives as Infoway still has the capacity to make multi-year commitments. In his opinion, as provinces know that the federal government has made a multi-year commitment to Infoway, they are still able to count on the money being available for their planning purposes. He did note, however, that the extra flexibility afforded Infoway by virtue of its investment income has been lost with the transition to funding based on cash flow (18, 07/12/2010).

Perhaps surprisingly, the relatively low visibility of the foundation mechanism was also viewed to be advantageous. Noting that there were no ministerial announcements associated with Infoway initiatives, a former Health Canada official

⁵⁰ This individual noted that Infoway has used this money to fund its operations, retaining the principal for capital investments in the health infrastructure.

stated, “That is fairly understandable, because it is happening in provincial jurisdictions with an injection also of provincial money. So, the other thing too is how closely do you want to be associated with a big IT project like that? How much visibility do you really want, because I don’t think we’ve got electronic health records yet” (15, 28/10/2010).

Another individual involved in the decision to use the foundation mechanism acknowledged that federal visibility was considered, but noted that the initiative was not well suited to political “announceables”. In his words, “I mean, certainly that discussion would always come up at a higher level, in more of a political side. But the people at the bureaucratic level knew that this was going to take some time before you would get visibility stuff here” (21, 06/04/2011).

With respect to the question of whether public distrust of government contributed to the decision to place the Infoway initiative with an independent, not-for profit organization, individuals offered a more nuanced view than was expected. In the words of one interviewee, “there is a distrust, I think, by politicians, not just the current government but the governments before, of what the public service can really accomplish and there is a distrust at the higher levels of the public service as to what the troops can truly accomplish, so it is tempting to farm the work out to outside organizations” (15, 28/10/2010). This individual went on to suggest his belief that the federal government “had greater faith in the ability of an independent organization of having a focused, sustained effort towards achieving EHRs” (15, 28/10/2010). In his view, the government “had greater faith that an outside organization could do it than people in government and across jurisdictions, bureaucrats, because in governments priorities change regularly,

people move, so it would have been hard to have the sustained focus that infoway has put on the initiative” (15, 28/10/2010).

Interviews also made clear that there was limited support for the Infoway initiative at the political level; rather, this was an initiative that was championed at the bureaucratic level. This lack of support reflected the political reality of health care where there is continual demand for additional resources on the front lines. One former Health Canada senior official stated, “First Ministers couldn’t give a damn. Unlike the CFI where the Prime Minister was kind of there from the start, the Prime Minister couldn’t give a damn about it. I’m not criticizing the Prime Minister. I’m saying those were his realities” (19, 15/12/2010). In contrast to this perception, in an interview the Right Honourable Paul Martin, Minister of Finance at the time of the creation of Infoway, stated a strong belief in the importance of the initiative. In his words:

I was not as involved in Infoway as I was in the creation of the CFI but both the department and I were major supporters from the start. From our point of view, it sought to address two problems: rising health care costs and the ability of Canada to maintain a health care system that was up to expectations – both of which were major issues for the government.

(24, 03/08/11)

In comparison, the Deputy Minister of Health Canada at the time of the Infoway initiative was noted as the catalyst behind Infoway. One former Health Canada official stated, “The way I understood was truly that it was David Dodge’s vision and wanting to create something that was equivalent to the railroad across Canada, make that kind of contribution to the country” (16, 09/11/2010).

Regarding the implementation phase of the initiative, when questioned whether working with an independent third party necessitated that bureaucrats develop different skills, one former Health Canada official was uncertain. This individual noted that there were many different skill sets and environments across government. In his words, “I don’t know whether it takes different skills or not. . . . It’s a totally different climate, but I think that the right public servants can work with a corporation like that and can work with the provinces and territories. It just takes people with the right frame of mind” (15, 28/10/2010).

In terms of unanticipated consequences, one former Health Canada official stated, “we underestimated the time that it would take to ramp up the organization, underestimated the magnitude of the initiative and the cost of the initiative” (15, 28/10/2010). This individual also reflected on the difficulty of trying to foresee all potential eventualities at the outset of an initiative. In his words, “I look at it as 100,000 foot view of the initiative at the beginning. We are going to do this. And then they come up with a blueprint and an initial budget which is like at 75,000 feet and then as you start coming closer to ground that’s where you realize you can identify all the complexities better and you can identify all the costs better and so forth” (15, 28/10/2010).

Two government officials involved with Infoway also questioned the government’s ability to monitor the activities of independent organizations across departmental portfolios to ensure that their actions and objectives remain aligned with the government’s priorities. One interviewee noted, “one of the challenges that I have thought for a long time is to reconcile what all these private organizations are doing and to make sure that it remains consistent with government priorities and objectives, is

actually, you know everything is going according to what the health portfolio would like to happen” (15, 28/10/2010). A similar opinion was voiced by another Health Canada official who stated, “the Canadian Partnership Against Cancer, which is another one that we manage the funding agreement⁵¹ etc., said on their own volition, “we will check with like organizations and make sure we are working to eliminate duplication and maximize collaboration.” That was not something government told them. It was not something Health Canada told them in our funding agreement” (16, 09/11/2010).

Summary

1. Criteria and Dimensions:

The *independence* of Canada Health Infoway supported its effectiveness and its legitimacy by providing a forum for federal-provincial collaboration. This collaboration was supported by building provincial participation into the organization’s governance structure. It can also be argued that it supported the organization’s efficiency by giving it greater administrative flexibility. Although it was recognized that independence decreased direct manageability, it does not appear to have been a significant concern given the level of federal participation in the Membership and the Board and the trade-off of securing provincial collaboration. The independence reduced equity by allowing the entity to fund provinces on a project basis rather than on a per capita basis; however, this was viewed as desirable given the differing states of provincial readiness and the objective of leveraging provincial contributions.

⁵¹ Since 2007, Health Canada has provided the Canadian Partnership Against Cancer with \$50 million annually for implementation of the Canadian Strategy for Cancer Control; however, this funding does not have either the broad mandate or up-front characteristics of independent foundation funding.

Although there is some evidence to suggest that Infoway has been successful in attracting diverse and talented board members and that it has greater flexibility in contracting external expertise than government agencies, it is not clear that *external expertise* was particularly important in the decision to use a foundation mechanism for the electronic health records initiative.

The *multi-year funding* enabled multi-year planning horizons and funding commitments and was therefore viewed as supporting effectiveness and efficiency. By making a decisive, ongoing federal commitment that protected the funding from being diverted to other uses, it also enhanced legitimacy and political feasibility in the sense that it demonstrated to partners that the initiative would be supported over a number of years. By reinforcing the organization's independence, multi-year funding would have reduced manageability, but it appears to have been felt that this could be compensated for by the governance structure and the responsibilities of the executive. It does not appear to have been a consideration with regards to equity or a lack thereof.

In the case of Infoway, the requirement of interoperability meant that the *leveraging* characteristic was particularly important to securing provincial participation, as well as provincial funding, thereby contributing to the effectiveness and efficiency of the initiative. Leveraging worked against equity by favouring those provinces that were already in the best position to proceed with investments. The legitimacy and manageability criteria do not appear to have been relevant to the leveraging characteristic.

With respect to *automaticity*, it appears that the federal and provincial roles in health (with the provinces responsible for delivery), as well as the conviction that the

funding needed to be safeguarded from other potential uses within the health system, were felt to necessitate a new entity, overwhelming any negative consideration of the requirements that establishing a new entity entailed.

The relatively low *visibility* of the foundation mechanism was viewed as supporting the effectiveness, and efficiency of the initiative by distancing it somewhat from traditional federal-provincial tensions. It also positively impacted political feasibility by distancing the federal government from a long-term and technically challenging project. Although it would not have impacted manageability directly, it may have reduced concerns in this area since the government would be somewhat removed from any difficulties the organization encountered. It is not clear that it would have been relevant to equity.

The lack of coerciveness, or use of a carrot rather than a stick to incent participation, was appropriate to the initiative, which required coordinated collaboration and to the context of constrained health care resources. In this regard, the mechanism's orientation towards collaboration rather than coercion could be viewed as supporting its effectiveness, efficiency, manageability and legitimacy. It would have had a negative impact on equity, since the provinces with funding of their own would be in the best position to secure federal funding. However, as noted earlier, equity, at least in the short-term, does not appear to have been an objective of the initiative.⁵² Table 11 summarizes the assessment of the various dimensions in the case of Infoway.

⁵² While the ultimate objective was an interoperable pan-Canadian system of EHRs, there was a willingness to proceed first with the jurisdictions that were most advanced.

Table 11 Assessment of the Dimensions of Infoway

	Effectiveness	Efficiency	Equity	Manageability	Legitimacy
Independence	✓	✓	X	X	✓
External Expertise	-	-	-	-	-
Multi-year Funding	✓	✓	-	X	✓
Leveraging	✓	✓	X	-	-
Automaticity	-	-	-	-	-
Visibility	✓	✓	-	-	✓
Coerciveness	✓	✓	-	✓	✓

✓ = positive X = negative - = neutral

2. Neoinstitutionalism:

There is little evidence to suggest that *public attitudes* influenced the decision to use the foundation mechanism to fund the health information system although public misgivings stemming from concerns raised by the AG and others regarding the accountability of foundations eventually led to the imposition of increased accountability measures.

After many years of positive studies and reports regarding the merits of an electronic health information system, the *policy context* favoured investments in this area while continuing federal surpluses favoured the use of a year-end mechanism. It is also

likely that both politicians and bureaucrats believed in the long-term benefits of creating such a system. However, it appears that politicians were preoccupied by other front-line pressures that have a more immediate and visible impact on patients. Accordingly, endorsement of the initiative required *championing* at the bureaucratic level.

3. Challenges, Implementation Issues and Policy Learning:

The primary challenges for the federal government with respect to Infoway have been the concerns raised over accountability and performance by the AG. While these concerns are principally related to the absence of appropriate mechanisms as opposed to any identified misuse of funds, they led the government to enact successive measures to strengthen accountability, culminating with the shift to annual cash disbursements to the entity. This type of adaptation over time, or policy learning, was alluded to by a Health Canada official who stated, “Written into the terms was some of the information about Boards but not necessarily all of it. Investment policies: Treasury Board has changed investment policies with time, which has created difficulties for some of these organizations, because, again, if you were created and then at some point in time Treasury Board changes its investment policy, which has happened, obviously that has an impact. So, some of the things weren’t anticipated, weren’t dealt with ahead of time” (16, 09/11/2010). The government was also able to use subsequent federal investments to help steer the organization, for example, with the funding provided through Budget 2010, the government specifically targeted connecting physicians to the health information system, encouraging Infoway to place a greater emphasis on this area rather

than on implementation at the institutional level to support the achievement of its 50 percent goal⁵³ (16, 09/11/2010).

Conclusion

Infoway has encountered a number of difficulties on the road to the development of a pan-Canadian system of EHRs. The rate of progress has been criticized, funding requirements have climbed, and shortcomings in its management and accountability have repeatedly been highlighted in public reports. However, despite these problems, there appears to be continuing support for the model. The funding that was announced in Budget 2009 but subsequently delayed was released with Budget 2010 following Infoway's development of an action plan to address concerns raised by the AG. This action plan promises significant progress towards a fully implemented system by 2015.

The decision to proceed with the 2009 funding was likely influenced by a number of factors, including recognition of the progress Infoway had made relative to the momentous task with which it had been charged. The difficulties inherent in the task were summarized in the original *Blueprint and Tactical Plan* which noted:

The electronic health record is seen as critical to the successful integration of health services, in Canada and elsewhere. However, limited skills in the use of electronic information and technology, coupled with limited electronic collection of health information by physicians and nurses at the point of care, are barriers to the implementation of the electronic health

⁵³ Budget 2009 stated that funding would be used "to speed up the implementation of electronic medical record systems for physicians and integrated points of service for hospitals, pharmacies, community care facilities and patients" (p. 152)

record. In addition, the “building block systems” (e.g. hospital, community clinic, long term care, physician office, laboratory and community pharmacy systems) necessary to provide the clinical data are either not in place, or have been implemented inconsistently. As a result, clinical data repositories (which bring together information on patients) and electronic health record systems (applications that allow providers to view into the clinical data repository) are rarely implemented. (p. 16)

In its 2006 evaluation, management and stakeholders described three phases in Infoway’s evolution. The first “start-up” phase lasted throughout 2001 and 2002 and was dedicated to establishing the organization – appointing the full Board of Directors, recruiting an executive team and staff, and actualizing its mandate. The second “entrepreneurial” phase was described as lasting from 2003 to early 2005 and focused on developing its business model and collaborative relationships, as well as its funding programs and investment portfolio. The third “mature” phase from 2005 onwards focused on achieving results (BMB, p. 10).

The description of these phases helps to illustrate the magnitude of the task facing Infoway. In 2001 the Government charged an embryonic corporation with facilitating the development of a network of complex, interoperable information systems. This task is complicated by the involvement of many disparate players, from physicians to provincial health ministries, by differing degrees of readiness, by federal-provincial/territorial relations, and by the context of rapidly changing information technology.

In summing up the outcome of the decision to use an independent foundation mechanism to deliver the Infoway initiative, one former Health Canada official

concluded, “So, was there a better mechanism available? Maybe, but this seemed to be the closest that you could get to trying to do an extraordinarily difficult job with an impossibly small commitment both of money and political support” (19, 15/12/2010). Another former official provided a similarly positive assessment of the choice of instrument stating, “from a public policy vehicle point, it actually worked out fairly well because it was a nice balance between allocating funds, putting it in a place that could be safeguarded, focused on delivering a fairly clear strategy, but allowing flexibility in how it worked with certain jurisdictions to be respectful of the priorities a jurisdiction may have” (21, 06/04/2011).

CHAPTER 6: CANADIAN COUNCIL ON LEARNING

Introduction

The Canadian Council on Learning (CCL) is an arm's-length, not-for-profit organization incorporated under the *Canada Corporations Act* on December 11, 2003 (CCL, 2005a). The CCL has a mandate to: promote knowledge and information exchange among learning partners; inform Canadians regularly of Canada's progress in learning; and address knowledge gaps and provide evidence-based information to improve investments along the full span of lifelong learning on a pan-Canadian basis (CPMI, p. i). The mandate of the CCL includes all aspects of lifelong learning from early childhood to the workplace and beyond (CCL, 2005a).

The CCL was funded through an \$85 million federal investment provided in March 2004. The funding agreement between CCL and Human Resources and Skills Development Canada (HRSD), which governs the federal investment, covered a five year time period from April 1, 2004 to March 31, 2009.⁵⁴ All funds provided to the organization, as well as any interest earned, were to be expended by the end date of the agreement (CCL, 2006).

The CCL is governed by, and accountable to, a 12-member Board of Directors. "The Board of Directors of the CCL, consisting of 12 members, is intended to reflect Canada's regional diversity with Board members having a wide range of characteristics, including experience and expertise in the area of lifelong learning and representation

⁵⁴ CCL was later granted a one year extension of its funding agreement to March 31, 2010 without the provision of any additional funding.

from the learning, governmental, nongovernmental, business and labour sectors” (EKOS, p. 3).

Vision and Consultations

The Innovation Strategy

The CCL evolved from the Government of Canada’s *Innovation Strategy* (CCL, 2005a, p. 7), which was launched in February 2002 with the release of the discussion papers, *Achieving Excellence: Investing in People* and *Knowledge Matters: Skills and Learning for Canadians*, by Industry Canada and Human Resources Development Canada⁵⁵ (HRDC), respectively. The *Strategy* was intended to increase Canada’s innovation capacity and strengthen Canadians’ ability to compete in the global, knowledge-based economy.

Knowledge Matters, the HRDC contribution to the *Innovation Strategy*, examined the skills and learning challenges facing Canadians in the 21st century and proposed policy directions and national goals and milestones to achieve them. The goals proposed national objectives for achievements in skills and learning, for example, that all qualified Canadians have access to post-secondary education, and that Canada’s workforce is highly skilled and adaptable. The milestones proposed more concrete ways to measure progress towards these goals. Milestones included: that all young Canadians are computer and Internet literate by grade school graduation within five years; and that the number of adult learners increases by one million men and women.

⁵⁵ In 2003, Human Resources Development Canada was split into two separate departments: Human Resources and Skills Development Canada and Social Development Canada. Thus, the policy development prior to 2003 was completed by Human Resources Development Canada while the funding agreement with the CCL was signed by the Minister of Human Resources and Skills Development in 2004.

The release of the two departmental papers was followed by approximately six months of consultations with Canadians concerning innovation and learning challenges facing Canada, and culminated in the National Summit on Innovation and Learning in November of the same year (IC, 2002). In October, prior to the Summit, HRDC held a workshop on best practices in skills and learning with representatives from a broad range of stakeholders, including provincial and territorial governments, education and learning organizations, sector councils, business and labour. The workshop was guided by a discussion document entitled, *Skills and Learning: Filling the Knowledge Gaps*, prepared specifically for the event. The discussion document broadly identified the public policy problem (a lack of knowledge regarding learning outcomes and the factors that influenced them) that the CCL later sought to address and alluded to a potential solution to address it, although not to the actual instrument. According to the report from the workshop, the document noted that:

achieving national learning goals and milestones requires a better understanding of the relationships between learning outcomes and key learning determinants in the home, school, and the community. It also requires better measures of skills and learning outcomes. Though there is a substantial amount of public information about learning, knowledge and information gaps abound, it tends to be fragmented, it often lacks credibility, and it lacks a coherent overall framework. An effective system of public reporting would require the development of a learning indicator framework, the capacity to develop the information for the indicators, the

testing and piloting of innovative learning initiatives, and a robust public dissemination and knowledge exchange factor. (Conference Board, p. 80)

At the National Summit, Jane Stewart, then Minister of HRDC, speaking on behalf of Prime Minister Jean Chretien, announced that the Government was “prepared to work with its partners to develop the Canadian Learning Institute” (PPF, 2003, p. 3). Although it was referred to as the Canadian Learning Institute (CLI), the early vision for the entity that eventually became the CCL was evident in the speech. The announcement of the Institute was positioned in the context of investments in workforce skills and learning to increase business competitiveness. It emphasized the need to set goals for workforce learning and to measure and report on results, and called for business, government, and the voluntary sector to become learning organizations. Further, it noted that decisions on investments in skills and learning should be based on high quality information that would be supported “by measuring learning achievements across the life cycle and across the country, based on what works and what doesn't”. Finally, it noted that the success of the Institute would require a collaborative partnership with provinces and the private sector.

The November announcement reinforced and elaborated on the September 2002 *Speech from the Throne*, which had noted that “the government will work with Canadians, provinces, sector councils, labour organizations and learning institutions to create the skills and learning architecture that Canada needs, and to promote workplace learning. This will include building our knowledge and reporting to Canadians about what is working and what is not” (SFT, 2002).

These earlier announcements were endorsed by the February 2003 Budget commitment of \$100 million in fiscal year 2003-04 for the establishment of the CLI. The Budget noted that “a key objective of the Institute would be to broaden and deepen data and information on education and learning. This will address gaps in the knowledge of education and learning, and result in payoffs for Canadians in making future decisions about investments in learning” (DoF, 2003, p. 134). The Budget also noted that consultations with provinces, territories and other stakeholders were underway on the mandate, structure and governance of the Institute and that the government would proceed on the basis of the advice that was received.

Following the November announcement at the National Summit on Innovation, two sets of consultations were undertaken to inform the development of the Institute. In January 2003, Minister Stewart appointed Dr. Benjamin Levin of the University of Manitoba, and Shirley Seward, CEO of the Canadian Labour and Business Centre, to undertake consultations on the Institute. These consultations were intended to give provinces and territories, national learning organizations, and business and labour organizations the opportunity to provide input on the creation of the Institute (HRDC, 2003, Jan. 9). Specifically, the consultations sought input on the broad parameters of the Institute, including knowledge and information needs, mandate and organizational structure. The Levin and Seward consultations were followed in August 2003 by a second set of consultations led by David Zussman, President of the Public Policy Forum. Informed by the earlier consultations, the Zussman process consulted with provinces, territories, and key stakeholders on a refined and detailed vision of the proposed Learning

Institute. These two sets of consultations provide insight into the initial conceptualization of the initiative and its evolution.

The discussion document prepared for the Levin and Seward consultations clearly established the CLI initiative as a response to the challenges identified in the *Innovation Strategy* papers, particularly HRDC's contribution, *Knowledge Matters*. It noted that success in the knowledge-based economy requires a well educated and highly skilled workforce, as well as investments in life-long learning. It also stated that consultations on skills and learning undertaken as part of Canada's *Innovation Strategy* indicated a need for improving knowledge and information on learning and the importance of measuring progress within the skills and learning sector and asserted that all aspects of Canadian society needed improved information on where to target their investments in learning to maximize their returns. In the words of the document, "What is missing is a mechanism for coordinating and synthesizing the available information, assessing the knowledge gaps, producing coherent knowledge from a wide spectrum of data and information, and sharing available knowledge to all learning system stakeholders" (HRDC, Dec. 2002, p. 7).

The Zussman discussion document builds on this argument, noting that Organization for Economic Co-operation and Development (OECD) countries had committed to making lifelong learning a reality for their citizens and that other countries, including the United States and the United Kingdom, had already undertaken national initiatives for developing and sharing learning information (PPF, 2003a, p. 3).

Envisioned Activities

The discussion document for the Levin and Seward consultations positioned the Institute as a mechanism to provide the various learning stakeholders - governments, learning institutions, employers, labour, community groups and individuals - with the necessary information to inform their investments in learning and skills development. Table 12, reproduced below from the discussion document, demonstrates the extent of policy development already undertaken at this stage in the initiative. The table describes not only the broad activity streams envisioned for the organization to fulfill its mandate (reporting on learning outcomes, publishing and disseminating key findings, and supporting the testing and analysis of innovative approaches to learning, and research on best practices) but also details activities under the five core functions foreseen for the organization: gathering, synthesizing and disseminating information, development of national learning indicators, regular publishing of key findings, testing of innovative learning initiatives and analysis, and studies and synthesis of information on best practices.

Table 12 Proposed Vision for the CLI

MANDATE	
<i>The Canadian Learning Institute would be a national, independent information body with a mandate to promote and support evidence-based information sharing throughout the learning system from birth through childhood, adolescence, and adulthood to retirement by:</i>	
<i>Reporting regularly on Canada's progress in learning outcomes, and publishing and disseminating key findings on what works</i>	<i>Supporting the testing and analysis of innovative approaches to learning and research on best practices, in order to understand and build consensus on what works and what doesn't.</i>

SCOPE				
<p><i>The scope of the institute will encompass all facets of lifelong learning. This includes information about learning throughout all stages of life (childhood, youth and adulthood); in many settings (home, community, workplace and classroom) and in different forms from structured to self-learning and learning-by-doing.</i></p>				
CORE FUNCTIONS				
Gathering, synthesizing and dissemination of information	Development of national learning indicators	Regular publishing of key findings	Testing of innovative learning initiatives	Analysis, studies and synthesis of information on best practices
<ul style="list-style-type: none"> - developing and managing learning databases (i.e. pulling together survey and administrative data in a coherent and meaningful way, and disseminating it in formats that respect privacy and jurisdictional issues) - facilitating access to information produced by a range of stakeholders using easily accessible dissemination mechanisms (e.g. the Web, a statistical data center, and publication of documents such as a compendium of key learning statistics, regular statistical reports, 	<ul style="list-style-type: none"> - provide a forum where stakeholders and partners can agree on indicators, set standards and fill identified data gaps; - formulate guidelines for collecting, processing and sharing information; - coordinate preparation of comparable information across sectors and jurisdictions; - develop an integrated set of national indicators; - develop the capacity to evaluate the impacts of institutions and programs on 	<ul style="list-style-type: none"> - preparation and dissemination of key products such as annual score cards on key indicators, thematic reports, monthly bulletins, special features in magazines and newspapers, information kits for individuals or employers, etc; - targeted publications to a wide variety of audiences including the general public, academia, the business community, the international community and 	<ul style="list-style-type: none"> - work with partners to develop and design innovative initiatives and assist learning system decision-makers to test and identify the best choice between policy alternatives; - partner only with decision-makers, who have the authority to implement the knowledge gained from the testing and who are willing to cost-share the 	<ul style="list-style-type: none"> - conduct analyses, studies and synthesis of information on best practices in Canada and abroad

CD-Roms on key longitudinal surveys, etc.)	human development and learning outcomes by linking outcomes to data.	governments at all levels.	experiments.	
--	--	----------------------------	--------------	--

(HRDC, Dec. 2002, p. 14)

By the time of the Zussman consultations, the activity of experimentation had been dropped from the Institute’s mandate which now consisted only of the informing Canadians on progress in learning, and knowledge and information exchange activities elements. A March 2003 briefing note indicates that experimentation had not been well received by provinces or within the federal government (HRDC, Briefing Note, p. 220).

Annexes attached to the Seward and Levin discussion document demonstrate that HRSD had undertaken significant research to identify the key players in learning information and dissemination, the learning data sources and reporting mechanisms, and the key information gaps that existed in Canada at the time. This research led to the government’s assertion that “crucial gaps still exist in almost every dimension and aspect of Canada’s existing skills and learning knowledge structure” (HRSD, Storyline, p. 103). In turn, this conclusion supported the justification for federal action within the storyline developed for the initiative as evidenced in the following brief excerpt:

Currently there is no single organization that has the national mandate to assemble, analyze and disseminate information on all aspects of skill development. National leadership is needed to coordinate existing efforts and ensure that crucial information gaps are filled . . . Federal leadership would also provide visibility and opportunity to influence the agenda of an area in which the Government of Canada has and continues to heavily invest. (HRSD, Storyline, p. 103)

The presentation prepared to guide these consultations also elaborated how the Institute would operate. The speaking points note that the institution “would respect jurisdiction, co-ordinate information and not duplicate any existing activities by government or third party organizations ... work in close partnership with Statistics Canada, provinces and territories, and other stakeholders...[and] through existing mechanisms that promote co-operation in research, such as the Canadian Education Statistics Council and granting councils” (HRDC, ATI, p. 128).

Internal HRDC documents prepared for the Seward and Levin consultations show that an endowment of \$170 million over five years was initially envisioned for the Institute. That budget ramped up to \$70 million per year at maturity, which was forecast as the fifth year of operations. It included \$30 million for the reporting function, \$30 million for experimentation and testing of best practices in learning and \$10 million for administration. The \$170 million would be provided to the Institute as an up-front endowment from which both the principal and interest would be spent over the five years. The documents also indicated that, subject to the results of an evaluation, a renewal would be negotiated following the initial five year period (HRDC, p. 99-100). In explaining the rationale for the endowment, one briefing note stated:

an endowment would allow the Institute to be financially independent from the federal government for a defined time period, facilitating provincial involvement and increasing external credibility. An endowment would demonstrate a long-term commitment by the federal government to address an identified need, which requires long-term funding to resolve, while at the same time lending flexibility to the

Institute to respond to an evolving environment. (HRDC, Nov.8, 2002, p. 378)

Creation, Governance, Operations and Accountability

The Levin and Seward discussion document provided a detailed description of the governance structure envisioned for the Institute. It noted that it would be an independent, non-profit organization, created by federal enabling legislation with its mandate and governance defined within the statutes and further regulated by a funding agreement. It proposed a governance structure which included both members and directors who “would be selected for their subject-matter expertise and be representative of the wide spectrum of stakeholders – provinces and territories, educational institutions and organizations, business and labour – that have an interest in learning outcomes” (HRDC, Dec. 2002, p. 12). They would also be reflective of regional and diversity considerations. It was further envisioned that a minority of the members and directors would be Governor in Council appointments. It also proposes two non-voting ex-officio positions who would be representatives from HRDC and Statistics Canada (HRDC, Dec. 2002, p. 16-17).

A more detailed note prepared by HRDC in November 2002, and obtained under access to information, indicated that the enabling legislation would spell out not just the mandate, but also: the objectives, roles and responsibilities of the Institute; the applicable provisions of the *Canada Corporations Act (CCA)*; the eligibility requirements, appointment process and terms of directors, members and staff; provisions governing granting operations, financial management investment policies, reporting and

audit/evaluation requirements; and the cessation of operations. It also indicated that, along with the legislation, a funding agreement would govern the use of public money provided to the Institute (HRDC, Nov. 2002, p. 377).

The same note explained at least some of the reasons for recommending legislation. According to the author, “legislation would allow the federal government to customize and strengthen the governance structure to ensure good governance and accountability in the public sector” (HRDC, Nov. 2002, p. 377), as well as maintaining an arm’s length relationship. It also noted that legislation provides Parliament with an opportunity to review and debate the proposal, permits Parliament to retain control over future changes to the entities governance and design, and is the method recommended by the Auditor General.

Another note (HRDC, ATI, p. 366) provides significant insight into the intended elements of the funding agreement. It was to contain provisions on: investment and management of the public funds; details on eligible recipients, costs and exclusions; requirements and selection criteria; limits on the commitments and disbursements of the Institute’s funds in any year (so that disbursements could be spread out over several years); and audit and evaluation and public reporting requirements.

This note also provides insight into HRDC’s view on the manageability of the proposed Institute. In a section entitled “Control vs. answerability”, it states:

- Answerability can be addressed for the most part through the legislation and the funding agreement – performance reporting, financial reporting, audit and evaluation findings.

- Control will be exerted primarily through federal appointees to the Board of Directors and the funding agreement. Need to be concerned about being too proactive with control and infringing upon the independence of the organization. (HRDC, ATI, p. 371)

By the time of the Zussman consultations, the concept had shifted from creation of the entity through legislation to the funding of a newly created third party incorporated under the *CCA* (PPF, p. 9). Without legislation, Governor in Council appointments could not be used to appoint members or directors. The governance structure would be defined in the organization's by-laws, and could be changed by the organization at a later date, a feature which, from the government's viewpoint, was a weakness that results from the use of the *CCA*. The hope was expressed that the Board would still include government representatives, potentially ex-officio members from HRDC and Statistics Canada (HRDC, April 15, 2003, p. 396-7).

Subsequently, rather than referring to the creation of an institute, the Zussman document speaks of awarding the funding for the "Institute initiative" to an eligible recipient. Very specific criteria were elaborated for the recipient including: a willingness and ability to work in collaboration with provinces and territories, learning organizations and stakeholders; an intention to use existing institutions, knowledge bases and networks; and respect for jurisdiction, and existing federal-provincial/territorial collaborative mechanisms. Further, preference was to be given to an eligible recipient that was "an independent, not-for-profit, shared governance organization, operating at arm's length from government" with a governance structure that was "representative of the range of

learning decision-makers, and reflective of Canadian diversity and regional considerations” (PPF, 2003a, p. 6). The criteria for the recipient were echoed in a set of principles to which the recipient should adhere: independence; excellence, including validation through peer review; collaboration; respect of jurisdiction; a pan-Canadian approach incorporating recognition of Canada’s two official languages, as well as the broad range of users of learning information; respect for privacy and confidentiality of personal information; and accountability for the use of federal funding (PPF, 2003a, pp. 8-9).

The Zussman discussion document endorsed the operational design proposed in the Levin and Seward report, noting that “the Institute would function as the central hub of a wheel, with spokes reaching out and partnering with existing organizations involved in different areas of the lifelong learning mandate of the Institute.” With respect to funding, the discussion document noted that funding would be provided as a one-time conditional grant of \$100 million. The money was to be provided in 2003-04, as a one-time annuity, with the capital and interest to be spent over five years. The document suggested that eighty-five percent of the funding should be spent on programming, and fifteen percent on administration (PPF, 2003a, p. 13).

The Zussman discussion document sets out detailed accountability requirements for the initiative. In alignment with the new accountability provisions included in Budget 2003, the recipient of the funding for the institute initiative would be required: to provide plans and annual progress reports to the Minister of HRDC and to report these publicly; and to undertake an independent evaluation of its activities during the fourth year of funding. Other provisions of the planned funding agreement outlined in the discussion

document included: dispute resolution mechanisms; recovery of unspent funds in the event of winding up; restrictions on investment and management of the public funds; limits on the commitments and disbursements of the institute's funds in any year; and audit and evaluation and public reporting requirements (PPF, 2003a, p. 13).

Results

The Levin and Seward consultations met with all provinces and territories, and more than 50 national level organizations with a strong interest in education, learning and labour market issues. The report from the consultations suggests that provinces were not wholly supportive of the planned institute. While noting that provinces and territories agreed with the importance of high quality information and the value of collaboration in the field, the report stated “from the standpoint of provinces and territories, the federal government has taken a variety of actions over the last few years (such as Canada Foundation for Innovation, Canada millennium Scholarship Foundation, Canada Research Chairs, and so on) in what provinces and territories see as an area of their jurisdiction” (Levin and Seward, p. 4). Provinces and territories also expressed concern that reporting on national learning indicators would result in unfair comparisons between provinces and several were concerned that the experimentation function would allow the federal government to exert undue influence in an area of provincial responsibility (Levin and Seward, p. 7). An internal HRDC briefing note prepared after these consultations summarized the position of provinces and territories by noting that “more positive support came from smaller provincial and territorial jurisdictions with strong reservations on the part of the larger provinces” (HRDC, ATI, p. 221).

In comparison, stakeholders were reported as being broadly supportive of the Institute. Business and labour leaders suggested the objectives of the CLI could be achieved by mandating existing institutions and mechanisms, while some research organizations expressed concerns about the potential for duplication (Levin and Seward, p. 6). Stakeholders were generally supportive of the proposed mandate for the Institute, particularly the knowledge exchange function; however, they also noted the possibility of jurisdictional tensions and sensitivities arising from the informing Canadians aspect of the organization's mandate (Levin and Seward, p. 9) and felt that the experimentation component was the least important piece of the proposed mandate.

With respect to the governance of the Institute, the report stated that provinces and territories felt the independence of the proposed Institute was important, but noted concerns about the Institute's ability to maintain its independence if it was largely financed through annual appropriations from the federal government. Stakeholders were strongly supportive of an independent institute that would not be unduly influenced by ideological and political pressures (Levin and Seward, p. 11). Although it did not come to a strong conclusion with respect to a governance structure for the Institute, the report from these consultations noted that the success of the Institute "requires the active collaboration and participation of the full range of learning system partners" (Levin and Seward, p. 1). It emphasized the important role of multiple stakeholders including business, labour and learning institutions, Aboriginal organizations, early childhood and literacy organizations, municipalities and policy research think tanks, as well as the fact that "provinces and territories have an important constitutional role in relation to education" (Levin and Seward, p. 1).

The conclusion of the report outlined five areas of consensus that emerged during the consultations. These areas were: “developing collaborative partnerships and alliances; recognizing the mandated roles of provincial and territorial governments in regard to formal education; making effective use of existing institutions and networks; supporting and building on existing knowledge bases and expertise; and the critical importance of mobilizing knowledge in a practical way so that it leads to action and change” (Levin and Seward, p. 13). The conclusion also noted four requirements for the success of the Institute, namely that: its activities provide practical value; it should be an information and knowledge institute, and not an advocacy institute; it should embody strong, effective partnerships with federal, provincial and territorial governments, and stakeholders; and it should have a governance structure that is efficient yet allows effective input from many sources (Levin and Seward, p. 13-14). The idea of constructing the Institute “as the “hub” of a wheel, with spokes reaching out and partnering with existing “nodes of expertise” or existing institutions involved in the different areas of the lifelong learning mandate of the Institute” emerged during these discussions (Levin and Seward, p. 12). This concept was later reflected in the design of the Institute’s Knowledge Centres.

The report on the Zussman consultations was submitted in November 2003. Generally, the findings of the report endorsed the direction outlined in the discussion document. According to Zussman, there was broad support for the principles and the hub and spoke design of the Institute which were depicted in the discussion document. There was also overall agreement with the governance structure of an independent organization operating at arm’s length from government with a board of directors that was

representative of the range of learning stakeholders in Canada, reflected regional considerations and included participation by federal and provincial governments, business, labour, the Aboriginal community, the voluntary sector, and the learning sector.

The Government of Quebec refused the invitation to meet to discuss the Institute during the Zussman consultations (PPF, 2003b, p. 3). An article published in *Le Devoir* in December 2003 indicated strong opposition from Quebec regarding the initiative. Quoting Quebec's Minister of Education, Pierre Reid, the article noted Quebec's position that the proposed institute was an intrusion into an area of provincial jurisdiction and that the province would not cooperate with it. According to Reid, the Council of Ministers of Education, Canada (CMEC), an intergovernmental body composed of the provincial and territorial ministers of education, already played the role of bringing national level collaboration and cohesion to the sector and the Institute would be an unnecessary duplication of effort, increasing bureaucracy to the detriment of local programs and services (Larocque).

With the exception of Quebec, Zussman concluded that provinces and territories were willing to participate in the Institute's governance (PPF, 2003b, p. 6); however, he did not report on reactions to the transitional governance structure proposed in the discussion document and this scheme was never implemented, presumably due to a lack of provincial interest. Overall, Zussman found that the "institute has the broad support of all the provinces and territories"⁵⁶, and overwhelming support from stakeholders (PPF, 2003b, p. 4).

On March 30, 2004, approximately five months after the submission of the Zussman report, the Government of Canada, as represented by the Minister of Human

⁵⁶ With the exception of Québec. (Footnote from original document.)

Resources and Skills Development, signed a funding agreement with the newly created CCL, providing it with \$85 million to undertake the mandate developed for what was initially known as the Canadian Learning Institute initiative. An HRSD official noted that the vision for the governance of the initiative had evolved over time from legislation, to a ministerial role in appointing Board members, to Deputy Minister involvement in the Board in an official or observer capacity and finally to a Board with no federal involvement. This individual explained that “based on Zussman’s reports and analysis and things that we had heard from provinces and stakeholders, we decided at the end of the day that it was better, that if we were going to get real research and analysis done, that HRSD’s role had to be subtle or we would be seen as possibly pulling strings within the organization to get them to focus on issues that the provinces didn’t want to talk about” (20, 06/04/2011).

The funding agreement for the CCL was signed with limited fanfare. There is no record of a news release announcing the agreement or public documentation on how the CCL, an entity incorporated four months earlier, was selected as the recipient. It is also unclear why the initial \$100 million announcement was reduced to \$85 million. While no evidence was found to substantiate this theory, it may be that the funding for the CCL was reduced from the initial announcement of \$100 million to \$85 million prior to the signing of the funding agreement in March 2004 to avoid the Budget 2003 commitment to obtain parliamentary approval of purpose and funding through direct legislation for those foundations that received \$100 million or more. One individual who worked on the CCL initiative said the following on this issue:

It was a purely political decision. Why drop it by \$15 million? At the end of the day it was a weird number that they landed on. It might have to do with the \$100 million cap, but it was a political decision, eleventh hour and we weren't really informed of the rationale for it. We were simply told that's the figure you are working with. (20, 06/04/2011)

Structure, Mandate and Activities

With receipt of the federal grant, the CCL moved from nascent organization to full operations, building the organization and commencing activities towards the fulfillment of its mandate. During 2004-05, the three founding directors, Robert Giroux, Ben Levin and Milton Wong, recruited nine other individuals to fill the remaining director positions. The full Board of Directors then hired the President and Chief Executive Officer, Dr. Paul Cappon, who took office in October 2004 (CCL 2004-05).

In its first year, the organization established two offices, one in Ottawa and one in Vancouver (CCL, 2007a). Its *Annual Report* indicates the organization initially had a staff of 19, including the President and Chief Executive Officer (2005a, p. 27).

According to the funding agreement with HRSD, the purpose of the grant to the CCL was to support the organization to promote and support evidence-based decision making in all areas of lifelong learning through fulfilling the following objectives:

- Inform Canadians regularly on Canada's progress on learning outcomes through such means as, but not limited to, the following:
 - A roadmap of the learning information system from early childhood to adult learning and workplace training;

- A comprehensive, integrated pan-Canadian set of indicators that measure progress on outcomes across the continuum of lifelong learning;
 - The filling of key learning knowledge, information and data gaps; and
 - The preparation and dissemination of regular and accessible information and reports targeted to the range of users of learning information.
- Promote knowledge and information exchange among learning partners, through such means as, but not limited to, the following:
 - Partnering with existing organizations with expertise in the different areas of lifelong learning to build on and complement their work, including the development of ‘what works’ learning networks, virtual networks, symposia, conferences and workshops;
 - Supporting effective practices in all areas of lifelong learning, via analysis, studies and synthesis of information, and dissemination of results; and
 - Supporting access to data and other learning information among the public, researchers, learning organizations, and governments.
- (Ekos, p.2)

CCL sought to achieve its mandate through four activity streams: research and knowledge mobilization; monitoring and reporting; knowledge exchange; and strategic initiatives. It also identified five priority areas of learning: adult learning, early

childhood learning, work and learning, Aboriginal learning, and health and learning. To advance knowledge in these fields, CCL funded Knowledge Centres focusing on each area. The Knowledge Centres were regionally-based, located respectively in Atlantic Canada, Quebec, Ontario, the Prairies Provinces, the Northwest Territories and Nunavut, and British Columbia and the Yukon. Despite their geographic distribution, the Centres were intended to create national networks of experts in their respective fields.

In addition to the five priority areas of learning covered by the Knowledge Centres, CCL also identified the area of formal learning from kindergarten through post-secondary education which it termed “structured learning”. In this area, it attempted, with mixed success, to work in partnership with the provinces and territories, both individually and through the Council of Ministers of Education, Canada (CMEC), and the Canadian Education Statistics Council.

Beyond the Knowledge Centres, CCL developed and implemented numerous activities and products in its efforts to fulfill its mandate. For example, CCL developed the Composite Learning Index. As its name suggests, the Index is a composite indicator intended to be a comprehensive measurement of the state of learning across Canada—in the home, the classroom, the workplace and the community. It uses a wide range of learning indicators to generate numeric scores for more than 4,500 communities across Canada. CCL also commissioned “State of the Field” reviews on various aspects of lifelong learning to identify the most effective practices and procedures to promote learning, identify major knowledge gaps, and propose tactics for addressing those gaps. The electronic *Journal of Applied Research on Learning* initiated by CCL sought to increase the dissemination of applied research to researchers and policy makers. The

“Lessons in Learning” bulletins were intended to provide regular, accessible information about “what works” in learning.

Wind-down

The terms of the funding agreement initially stipulated that the CCL would spend its federal funding by March 31, 2009; however, in 2009 HRSD granted the organization a one-year extension, to March 31, 2010, to spend its remaining funding. On April 15, 2009, Dr. Paul Cappon, President and CEO of the CCL, released an update indicating that to continue its core activities of research, monitoring and reporting on the state of learning in Canada, the CCL would cease to fund its five Knowledge Centres, reduce its staff by 20% and cease undertaking a number of existing activities. While the CCL continued efforts to secure further federal funding, in December 2009 it was notified by the Minister of HRSD that it would not receive further funding following the March 2010 expiry.

Since March 2010, the CCL has continued to exist, but with further reductions to its operations. In a message dated October 7, 2010, Dr. Cappon stated that the organization would further curtail its activities while continuing to operate, noting that “it will require a funding commitment from the Government of Canada to achieve a restoration of CCL’s full capacity” (CCL, 2010). The organization now exists with a volunteer Board and CEO. Its website remains live and is updated regularly with targeted reports, but no further research programs or large national reports on learning are being undertaken. It is scheduled to cease all activities in the spring of 2012.

Performance

The main documents speaking to CCL's performance are the formative and summative evaluations completed according to the terms of the organization's funding agreement with HRSD. Overall, these evaluations suggest an organization that made a valiant effort to achieve an extremely ambitious mandate within a compressed timeframe.

The formative evaluation of CCL was conducted in the summer of 2006. Although the funding agreement with CCL commenced on March 31, 2004, the evaluation noted that, due to the timelines involved in setting up the organization, the CCL was effectively in its first year of operations. For example, the plan for the Knowledge Centres was developed in the organization's first year of existence, but the Centres were not operational until the 2005-06 fiscal year, following a call for proposals and competitive selection process (CCL, 2006). According to the evaluation, interviewees who were involved in the design and development leading to the funding of the CCL indicated that the organization's outcomes and operations aligned with the envisioned goals and activities. The evaluation also stated that the organization's progress in establishing its operations, activities and infrastructure was as much or more than could be expected. At the same time it noted, "there is a real recognition that there are only two and a half years left in CCL's current mandate. The infrastructure is not yet completely in place, and only initial products are out the door" (CPMI, p. 20).

A summative evaluation of CCL was conducted two years later, in 2008, covering the first four years of the organization's operations. The summative evaluation examined the organization's performance along three broad criteria: relevance, success, and cost-effectiveness. The findings of the evaluation were broadly positive on all three criteria

although some reservations were noted. With respect to relevance, the evaluation found that CCL filled the previously identified need for an independent, national organization to improve data and information on lifelong learning. The results on the criteria of success were more mixed. The evaluation found that the CCL had been successful in its key activities - identifying knowledge gaps, creating knowledge exchange networks, creating partnerships, and improving research and the exchange of information on learning. However it also noted that the organization needed to address challenges pertaining to: stakeholder engagement, particularly the engagement of provincial and territorial governments; conveying its mandate, role and responsibilities to stakeholders and Canadians; and future organizational development and funding. In particular, the evaluation noted that, to date, CCL had focused its efforts on communicating with stakeholders and had made little effort to communicate with Canadians (p.22). With respect to cost-effectiveness, the evaluation found that no other organization had the same mandate as the CCL. This unique mandate, along with the work of the Knowledge Centres, the competitive bidding process, and internal oversight imposed by CCL management were deemed to protect against overlap and duplication (p. vii).

Both the formative and summative evaluations noted a number of barriers that appeared to hinder CCL's success. Problems in CCL's relationship with provincial and territorial governments were alluded to frequently. For example, the summative evaluation noted that a number of provincial and territorial officials questioned the relevance of and need for CCL; they were unsatisfied with its ability to identify knowledge gaps, and believed its activities overlapped with those of CMEC. The

evaluation specifically noted that some respondents perceived a strained relationship between CCL and CMEC and the provinces of Quebec and Alberta (p. 30).

CCL: The Independent Foundation Instrument Choice

Documentation obtained through an access to information request, publicly available information, and insights gained from informant interviews illuminate various aspects of the policy development process with respect to this initiative. The evidence suggests that the use of a conditional grant to spend surplus funds did not play the same central role in the creation of the CCL that it played in the creation of the CFI or even in the case of Infoway. Rather, in the case of the CCL, the decision to use a conditional grant seems to have stemmed more directly from the analysis of the public policy problem. Specifically, the determination that the public policy problem of addressing Canada's skills and learning challenges required the provision of evidence-based, objective information on learning and a collaborative partnership with provinces and the private sector. These conditions suggested the use of an independent third party to achieve the government's objectives, which, in comparison to 1997, was by this time a familiar instrument in the government's policy toolkit. The importance of the policy rationale is also supported by the timing of the implementation. It was not until March 2004, approximately 16 months after its public commitment at the National Summit on Innovation, that the government actually signed the funding agreement to flow money to the CCL. While the March timing may be interpreted as an effort to access funding prior to the fiscal year-end, the announcement was actually made in the previous fiscal year.

Research for this dissertation does suggest the relative importance of a number of the characteristics of foundations to the instrument choice decision in the case of CCL. In particular, it indicates that independence was an especially important aspect of the policy design (HRDC, 2003). According to the Zussman discussion document, the funding for the Institute was intended “to provide Canadians with an independent, objective and authoritative source of practical and relevant information across the continuum of lifelong learning” (PPF, 2003a, p. 5). Further, the awarding of the institute funding would give preference to an “independent, not-for-profit, shared governance organization” (PPF, 2003a, p. 6). Interview respondents to CCL’s summative evaluation also cited the organization’s independence from government as a significant contributor to its success (p. 29).

Similarly, both federal government and CCL representatives interviewed for this dissertation felt that CCL’s independence was essential to the achievement of its mandate, particularly given the organization’s role in research and reporting on performance in an area of government responsibility. The independence was viewed to be especially important given federal-provincial jurisdictional sensitivities with regard to learning, particularly reporting on learning outcomes. One individual specifically noted that the organization’s independence afforded it a greater ability “to take on complicated and contentious issues” (6, 04/10/2010). This sentiment was echoed by another interviewee who stated that the independence “provides you freedom to maneuver, it enables you to tackle subjects that would be difficult sometimes to tackle if you were in a departmental context because of political considerations, because of sensitivity” (17, 09/11/2010). A third person stated that “the independence was really important for

credibility, particularly in an area where information and research are being produced and needs to be presented as neutral and not supporting any particular policy agenda or point of view” (10, 14/10/2010). The greater flexibility or “nimbleness” of the CCL relative to a government entity, particularly a department, was also mentioned. One individual suggested that this gave the organization a greater capacity to adapt to evolving issues or priorities, stating that “there are fewer steps to go through, fewer approvals to seek, fewer eyes to put things under so that reports could come out much more quickly” (7, 05/10/2010). One individual, while agreeing that the arm’s length nature of CCL advantaged it relative to the federal government, argued that CCL was not truly independent. This individual argued that “if you are an organization, as CCL was, wholly dependent for your financial well-being on a government grant, even a five-year grant, you are not completely independent, especially if you intend to exist longer than that five year period” (8, 10/10/2010).

Overall, the evidence suggests that independence provided the initiative with credibility, contributing to its legitimacy and political feasibility. It also supported its effectiveness by supporting objectivity and distancing it from political considerations. In turn, these may have contributed to its efficiency relative to alternative instruments. Again, manageability appears to have been dealt with in terms of the governance structure; however, the final governance structure was not the one initially recommended for the Institute, which would have been created through legislation and included federal representatives on the board. Equity does not appear to have been a consideration in choosing the instrument.

With regard to the provision of multi-year funding, the briefing note on governance of the organization cited earlier (HRDC, Nov. 8, 2002, p. 378) summarizes many of the advantages that this mechanism was believed to embody. Those advantages were: financial independence from the federal government for a defined time period, facilitating provincial involvement and increasing external credibility; demonstration of a long-term federal commitment to the initiative; and flexibility to respond to an evolving environment. Along with the more obvious endorsement of a guaranteed long-term financial commitment and increased flexibility, this note suggests that the independence supported by a conditional grant would help to secure the collaboration of provinces and other partners by distancing the entity from the federal government and supporting the objectivity and credibility of its research and reporting activities. More specifically, one interviewee indicated that multi-year funding safeguarded the research agenda from being altered according to political exigencies (7, 05/10/2010). Another individual involved in the creation of the CCL noted that it gave the organization a financial flexibility across fiscal years that does not exist with annual funding. In his words, “One of the things that I used to argue about these [foundations] is that you knew how much money you could spend for how long. You could dictate the pace of spending. You could ramp up, ramp down. If one year, you don’t have a lot of applications, you don’t spend the money. Whereas, with annual appropriations, you don’t know until God knows when, when the money is going to be available and then you rush to get the money out the door” (12, 21/10/2010). This sentiment was echoed by another interviewee who stated, “The certainty of multi-year funding is very important because you don’t have to worry if in a given year you can give yourself an objective that you’ll spend \$10 million or \$20

million. If you don't spend it that year you've got the next year to do it" (17, 09/11/2010).

The multi-year funding provided to the CCL supported the organization's credibility, as well as the effective and efficient use of funding. As it supported the organization's credibility, it can also be argued to have indirectly supported the legitimacy and feasibility of government action in this area. In comparison, the equity and manageability criteria do not appear to have been relevant.

Of course, a conditional grant was not the only means by which the government could fund an independent third party, but it was seen to be more advantageous than other options such as more traditional grants and contributions funding. Documentation obtained through an access to information request suggests that HRDC had considered a number of alternative mechanisms and the various advantages and disadvantages of each before settling on an endowment to a new entity as the means to achieve its policy objectives. These options included: contracting with an existing organization or organizations to perform all or part of the mandate of the institute; expanding the mandate of an existing government body to include that of the institute; and continuing with the status quo. Contracting was ruled out because, it was argued, no existing organization had the required expertise across the learning spectrum and because the contracted party would be perceived by provincial governments as an agent of the federal government. It was further reasoned that no existing government body was positioned to undertake the diverse activities of the institute. Both Statistics Canada and the Social Sciences and Humanities Research Council of Canada (SSHRC) were considered, but the note concluded that Statistics Canada was not mandated to address information gaps

through the development of consistent learning indicators across jurisdictions and that SSHRC “is a funding agency and is not mandated to conduct the diverse activities of the institute” (HRDC, Options, p.105). Charging the Council of Ministers of Education, Canada with the mandate of the CCL was also addressed but ruled out because its mandate is only kindergarten through grade twelve. The note asserted that staying with the status quo would not address the existing skills and learning information gaps and that the existing lack of a coordinated effort allowed for unnecessary duplication (HRDC, Options, p.105).

While it may have been possible for an existing entity to transform itself into the successful recipient of the Canadian Learning Institute initiative funding, the draft terms of reference for the funding included in the Zussman report were extremely specific. In particular, they sought “an eligible recipient that is an independent, not-for-profit, shared governance organization operating at arm’s-length from government. It is expected that its governance structure will be representative of the range of learning decision-makers, and reflective of Canadian diversity and regional considerations” (p. 6). It also noted that preference would be given to an organization with a governance structure that included federal and provincial government representatives. Closely associated with the idea that no existing entity could fulfill the envisioned mandate was the recurring argument that “the institute would complement and build on the work of existing institutions rather than duplicate or replace their efforts” (HRDC, Storyline, p. 103).

When questioned regarding the choice of instrument, a similar sentiment was voiced by a government official involved with CCL who stated:

I don't think there was any other instrument. You get to that in the next question in terms of would a government department or agency have been able to achieve the same policy objectives and I don't think a government department, particularly a federal government department could deliver that at all, even through programs like sector councils, because the independence was really key. I think it's more than the fed-prov. It's because information created by governments in an area like learning and education is not necessarily going to be well received or received by the public with confidence that it isn't propping up some agenda. (10, 14/10/2010)

This evidence suggests that automaticity was an issue in terms of establishing that no existing entity was qualified to assume the CCL's mandate rather than considering the relative costs of charging a new versus an existing entity with the mandate. While the greater costs of a new entity were likely recognized, the rationale appears to have been that this was the most effective and potentially the only way to achieve the initiative's objectives. This conclusion is further supported by the fact that earlier documents and the announcement by Jane Stewart spoke of the creation of a new entity. It was only during the Zussman consultations that the idea of an existing entity receiving the funding for the initiative arose and this, ultimately, did not occur. Thus, while the lack of automaticity in the independent foundation instrument may have been recognized as a more costly alternative, it was seen as the most effective way of achieving the desired policy objectives both due to the belief that no existing entity had or could easily acquire the capacity to undertake the mandate, and the belief that a new independent entity would

be perceived as more truly independent from the federal government, thereby increasing the legitimacy of the initiative.

While the briefing note cited above (HRDC, Options, p. 105) reported that no existing government body was positioned to undertake the activities of the institute, it is also likely that this was not a politically palatable option. Federal ministers would likely have been reluctant to directly undertake a mandate that included measuring and reporting on outcomes in an area of provincial jurisdiction. While public choice theory suggests that politicians seek support through visible investments (Mayhew), in this case, it was likely desirable to limit federal visibility by using an arm's length entity to achieve federal objectives. One former CCL representative stated that the comparative aspect of CCL's reporting, such as the comparisons between cities produced by the Canadian Learning Index, made it politically controversial: "the moment you would have shared the results with a politician, a minister or another politician, he would have said, oh, I don't want to be associated with that" (17, 09/11/2010). In this light, low visibility would have contributed to a positive rating of the instrument for effectiveness and political feasibility.

The need to secure collaboration was noted from the beginning of the initiative, including in its public announcement at the National Summit on Innovation. In that speech, Minister Stewart stated that the Canadian Learning Institute "will require a collaborative partnership with provinces and the private sector to make it work" (Stewart). The Zussman discussion document also placed significant emphasis on the importance of collaboration in its vision for the institute. A collaborative approach would enable the institute to capitalize on existing activities and resources in its field. It was

expected that the CCL would “develop collaborative partnerships and alliances that build on and complement existing efforts and promote synergies among all learning system partners” (PPF, 2003a, p.8). The hub and spokes organizational structure that was envisioned for what eventually became the CCL’s Knowledge Centres were intended to foster collaboration and the use of existing resources and expertise (PPF, 2003a, p. 6).

In the case of CCL, it is in this context of collaboration rather than in terms of funding that the concept of leveraging funding from other sources is relevant. There was mention that the organization could access some funding beyond that provided by the federal government, for example, through partnering with learning system decision-makers to co-fund testing initiatives, or working with learning stakeholders on a fee for service basis, but these were not worked into any of the forecast budgeting for the organization (HRDC, Options, p. 105). Again, this capacity for leveraging would have supported a positive assessment of independent foundations on the criteria of efficiency, effectiveness, and legitimacy. It would not have impacted the manageability or equity criteria from the government’s perspective, although it may have created management challenges for the foundation itself.

Federal-provincial jurisdictional sensitivities with respect to learning weighed against the option of tasking CMEC with the mandate. With respect to the federal government’s motivations and objectives in creating the CCL, one interviewee with experience with both CCL and CMEC stated, “I believe that HRSD wanted all of these learning partners to come together. They wanted to have a seat at the table, and they wanted to bring the provinces together because the provinces, under the auspices of the Council of Ministers of Education, Canada, do not work well together except in so far as

they cooperate to blunt the intrusion of the Government of Canada in areas that they don't want" (8, 10/10/2010). As suggested by this quote, the provision of funding to an arm's length organization provided legitimacy for federal action in an area of provincial jurisdiction.

The promoters of the CCL initiative appear to have overestimated the ability of the conditional grant mechanism to convincingly convey independence, overcome jurisdictional sensitivities, and secure collaboration. Jurisdictional sensitivities were an issue from the early stages of the institute initiative onwards. As documented earlier in this chapter, a briefing note prepared for the Levin and Seward consultations noted that provincial reaction to the initiative had been mixed, with Quebec, Alberta and Ontario expressing jurisdictional concerns with respect to reporting in the education sector. The Province of Quebec refused to meet with David Zussman during his consultations on the institute. In fact, several provinces were quite vocal in stating their objections to the initiative. In January 2003, Dianne Cunningham, Minister of Training, Colleges and Universities, Ontario and Chair of CMEC, was reported as stating that the proposed institute represented a federal foray into an area of provincial jurisdiction and added that she did not see what it could add to the provinces' agenda (Sokoloff).

Relations with the provinces continued to be challenging throughout the organization's history. One interviewee associated with the CCL stated that "the Council of Ministers never cooperated with it [the CCL] at a national level. Both Quebec and Alberta were quite strongly opposed to the creation of the CCL and, at the time, at one point in there, in 2004-05 I guess, Newfoundland was chairing the Council of Ministers and the Newfoundland minister, whose name I have forgotten, also had a real dislike for

CCL. So, that was one problem. When it came to actually working with schools, they could never get in with the Council of Ministers” (6, 04/10/2010).

The ability of the foundation mechanism to secure external expertise was relevant to the choice of mechanism. In describing the planned governance structure of the institute initiative, documents obtained through access to information emphasize that the members and directors of the institute would be selected for subject matter expertise and be representative of regions and stakeholders.

When questioned whether CCL was able to harness expertise that the government could not, one government official answered, “in terms of the external expertise of the foundation’s Board of Directors and its importance to the achievement of the foundation’s mandate . . . the education and learning expertise was really critical, especially given all of the different dimensions and the linkages to key constituencies involved in the learning enterprise in Canada, to help ensure the CCL’s agenda was relevant, current, asking all the right questions and going in the right directions” (10, 14/10/2010). Offering a more reserved opinion on the question of external expertise, one individual associated with CCL responded, “Governments can use their spending power to buy the expertise that they need, but in doing so it sometimes compromises the appearance of independence” (8, 10/10/2010). These remarks suggest that the ability to secure external expertise and the form in which it was secured, were important to the effectiveness and the legitimacy of the initiative. However, the criteria of efficiency, manageability and equity do not appear to have been relevant to the external expertise characteristic.

Likewise, while the documentary evidence reveals an ongoing bureaucratic effort within HRDC to advance the initiative, there is little evidence of a strong champion for the CLI initiative. One interviewee suggested that David Zussman and Ben Levin were champions of the concept on behalf of government (8, 10/10/2010). However, as external experts paid to undertake consultations on the initiative, these individuals do not fit the concept of someone with the power to champion the initiative within government. In fact, another interviewee's response suggested that the initiative arose as much by happenstance as by a concerted effort:

There was that big national summit in November 2002, and the Prime Minister was supposed to come and speak. The story that I heard is that the PMO [Prime Minister's Office] wanted something for him to announce and out of all the things that were in the final report of that whole initiative, they picked what was then called the Canadian Learning Institute as something that would be pretty cheap and relatively easy to do. Now, in the end the Prime Minister didn't come and give the speech. Jane Stewart gave it, but that was the speech at which they announced the creation of the CCL and I have to say nobody in the federal bureaucracy knew what that was. They were quite surprised that it was announced. That is how the CCL came into being. (6, 04/10/2010)

A second individual reinforced this notion, saying, "had it not been announced at the innovation agenda summit, I'm not sure what would have happened to the idea, but

Madame Stewart seemed to be very keen on it . . . Joe Volpe⁵⁷ went along with it, but I don't think he was that much for it" (17, 09/11/2010).

The uncertainty of support for the initiative is corroborated in the following interview with a government official reported by David Good:

The PM [prime minister] agreed to attend a high profile skills summit and the PMO was looking for a major 'announceable' for him. We [Industry Canada and Human Resources Development Canada] were considering the establishment of a national learning institute along the lines of the independent foundations like the Canada Foundation for Innovation in order to make use of year-end money. PMO was pushing hard for it and PCO was opposed on the grounds that there was no new money available for this. We discussed things right up to the day before the summit without a clear indication of what, if anything, would be announced. The day of the announcement I was on the morning plane to Toronto and _____ [names an adviser to the prime minister] told me that the prime minister would be announcing \$100 million for the creation of the new institute. (2007, p. 110)

There is also little evidence of strong stakeholder support for the initiative. In fact, while stakeholders may have been generally supportive of the initiative when it was presented to them, the evidence suggests that the idea was generated and promoted from within the bureaucracy. Although one foundation representative suggested implementation of the CCL was strongly supported by private sector business organizations that favoured an independent review of learning issues in Canada, this

⁵⁷ Minister of HRSD in March 2004 when the funding agreement was signed with CCL.

premise was not collaborated by other evidence. According to the report from the Levin and Seward consultations, “others, including many business and labour leaders, felt that the objectives of the Canadian Learning Institute were valid and important, but that they could be achieved by mandating and supporting already existing institutions and mechanisms” (Levin and Seward, p. 6). The *Best Practices Workshop on Knowledge and Information on Skills and Learning*, held in October 2002, may be viewed as a public precursor to the announcement of the Canadian Learning Institute. The workshop sought to “address ways to support the development and dissemination of knowledge and information on skills and learning” (CBoC, p. 4) and discussed the need for and possible content of a national learning indicator framework. The report from this workshop documents that the participants were primarily government officials and representatives of learning and labour organizations (p. 15-16) and does not support the notion of strong business participation in the development of the initiative.

Two interviewees noted that learning stakeholders were pleased that funding would be available through CCL, but they did not view these stakeholders as catalytic proponents prior to the announcement (12, 21/10/2010; 10, 14/10/2010). A third interviewee suggested that significant impetus for the initiative came from within HRSD, stating:

I believe, knowing something of the history of HRSDC, that HRSDC was quite interested in this concept for exactly the reason that I stated earlier, which is to drive the learning agenda in Canada, which it could do a bit but would be limited in what it could do because of federal-provincial relations and the issue of credibility of government regardless of what

regime is in power. My understanding is that this was desired by folks within government for some time, in part to drive this agenda and, if it could, to bring the provinces to the same table at which HRSD could sit, not necessarily as a decision-maker. (8, 10/10/2010)

This notion of HRSD seeking to secure “a seat at the table” is also supported by internal HRDC documents. One version of the storyline developed for the initiative asserted, “the federal government, although a major financial contributor to skills development, exercises relatively little influence. For the most part, other players will determine the success of the innovation and skills strategy. To increase its influence and support the process, one thing the federal government can do at the outset is support the generation and reporting of information on learning” (HRDC, ARB, p. 366).

With respect to the concept of public distrust of government supporting the use of a conditional grant to an independent third party, one individual noted that problems with the involvement of ministers and members of parliament in the allocation of grants and contributions funding in the late 1990’s and, particularly, that the HRDC “boondoggle” of 2000 had “poisoned the atmosphere around MP [Member of Parliament] involvement in the allocation of public funds” (12, 21/10/2010). In this individual’s words, “by the time the federal government was running surpluses, the idea of Parliamentarians being involved in any allocation of funds is not on. So, this also made these arm’s length organizations a very acceptable vehicle. There wasn’t going to be a lot of push back because the alternative was, do you want the Minister involved in this, do you want MPs involved and no, we’d already been through that” (12, 21/10/2010). Another interviewee viewed the notion of “public distrust” more subtly, stating, “distrust means that we

wouldn't have any faith in you. It's a strong word. There was certainly a strong concern that the government couldn't deliver" (17, 09/11/2010). A third individual acknowledged public distrust as a factor but added that there were a lot of reasons why the federal government would choose to use an arm's length entity and emphasized the concepts of independence and flexibility (6, 04/10/2010). Speaking about the mechanism in general, a former finance official responded to this question as follows:

I would have thought originally that people would have loved this type of model because it is not in government's hands. The key selling point here is that decisions are made by experts in the field rather than by bureaucrats in Ottawa. I think the issue became one when the AG started to question the accountability for these foundations which was taken up by the Opposition. . . And, I think on that basis there was the public distrust, or the misunderstanding maybe by the public came out of that. (14, 28/10/2010)

This remark suggests that public attitudes pushed in two directions. Initially, a belief in greater private sector capability favoured the use of an arm's length mechanism. However, over time, the concerns raised by the AG led to skepticism about the model itself.

Summary

1. Criteria and Dimensions:

Independence provided the initiative with credibility, contributing to a positive assessment for legitimacy and political feasibility and was particularly important for an

initiative in what is primarily provincial jurisdiction. It also supported a positive assessment of the mechanism for effectiveness by supporting objectivity and distancing the initiative from political considerations and may thereby have contributed to its efficiency. While independence may have reduced manageability relative to a government organization, this was controlled through the governance structure while equity does not appear to have been a consideration in choosing the instrument.

External expertise was important to the assessment of the instrument for effectiveness and legitimacy. However, the criteria of efficiency, manageability and equity do not appear to have been relevant to the external expertise characteristic. In fact, the expertise may have been less relevant than representativeness in the governance structure.

Multi-year funding supported the organization's independence, leading to a positive assessment of the instrument for the dimensions of effectiveness, efficiency and legitimacy. It would have reduced the government's ability to control or manage the organization, but, again, this shortcoming was believed to be mitigated through the governance structure.

The ability to *leverage* the efforts and expertise of other organizations would have supported the independent foundations positive assessment on the criteria of efficiency, effectiveness, and legitimacy. It would not have impacted the manageability or equity criteria.

The requirement to create a new organization, the lack of *automaticity*, had a positive impact on the assessment of the instrument for effectiveness, and legitimacy. It does not appear to have influenced the assessment for the efficiency, equity and

manageability criteria in light of the view that no existing entity could undertake the mandate.

Low *visibility* would have contributed to a positive rating of the instrument for effectiveness and political feasibility.

It does not appear that the level of *coerciveness* was a factor in the instrument choice decision.

Table 13 summarizes the assessment of the various dimensions in the case of the CCL

Table 13 Assessment of the Dimensions of CCL

	Effectiveness	Efficiency	Equity	Manageability	Legitimacy
Independence	✓	✓	-	X	✓
External Expertise	✓	-	-	-	✓
Multi-year Funding	✓	✓	-	-	✓
Leveraging	✓	✓	-	-	✓
Automaticity	✓	-	-	-	✓
Visibility	✓	-	-	-	✓
Coerciveness	-	-	-	-	-

✓ = positive X = negative - = neutral

2. Neoinstitutionalism

There was more support for the idea of *public distrust* or disillusion with government as a factor in the choice of an independent foundation among individuals involved with the creation of the CCL than among interviewees for the other two case studies. This may be at least partially due to the HRDC “boondoggle” which coloured the department. However, this concept was later counterbalanced by concerns with the mechanism itself.

There appears to have been strong *bureaucratic support* for the learning institute initiative as an element in supporting Canada’s success in the knowledge-based economy, but there is little evidence of strong *political support* for the initiative. This conclusion is reinforced by the absence of a clear champion for the initiative at either level. Similarly, while stakeholders were clearly consulted and may have indicated a preference for an independent foundation, there is no evidence to suggest that they were a significant factor in moving the initiative forward or in the choice of instrument.

The policy context of the HRDC portion of the *Innovation Strategy*, specifically the concept that higher skill levels and lifelong learning are necessary for success in the knowledge-based economy, supported the use of an independent foundation. More specifically, the need for objectivity in monitoring and reporting in an area of provincial jurisdiction contributed to the choice of an arm’s length organization.

3. Challenges, Implementation Issues and Policy Learning:

Decision-makers involved with the instrument choice decision had the opportunity to learn from previous applications of the instrument and from the evolving policy environment. A document written by HRDC in November 2002 noted that “the

proposed governance design of the institute is based on the lessons learned and best practices of other shared governance corporations, such as the Canadian Institute for Health Information (CIHI) and the Canada Foundation for Innovation” (HRDC, Governance, p. 375). Another document provided an analysis of the proposed learning institute, including its means of creation, governance structure, mandate, accountability requirements and funding mechanism in comparison with three other independent foundations (CIHI, CFI, and Genome Canada) (HRDC, ATI, p. 481-482). By the time of the Zussman discussion document, which was released in August 2003, the design of the learning institute initiative aligned with the more stringent reporting and accountability requirements for independent foundations that were included in Budget 2003.

Conclusion

Despite the lessons learned from previous applications of the foundation instrument, the CCL was not as successful an example of the instrument as the CFI. As indicated by the summative evaluation of the organization, particularly in its early days, it failed to adequately engage stakeholders, Canadians and provincial and territorial governments (p.22). Also, as noted previously, it is likely that policy advisors and decision-makers overestimated the ability of the instrument to overcome provincial sensitivities regarding jurisdiction. However, it could also be argued that the CCL fell victim to a broader trend of an instrument that was gradually going out of fashion as many of its original advantages were hampered by increased accountability requirements, earlier fiscal surpluses disappeared, and a government favouring a more restrained use of the federal spending power assumed power.

CHAPTER 7: CONCLUSION

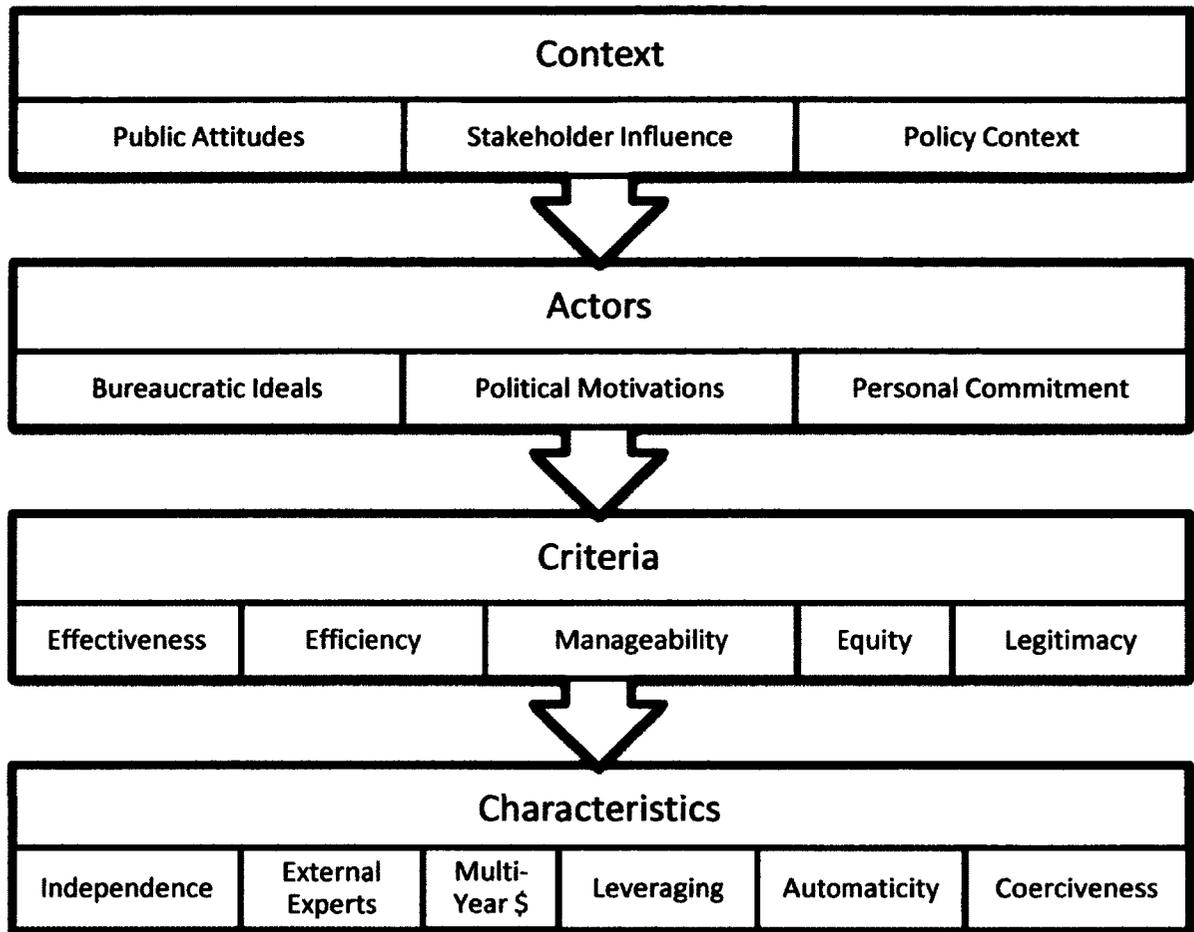
Introduction

Policy instruments are the tools by which governments seek to address identified public policy problems and achieve desired objectives. While a variety of tools may be applied to address a given problem, the outcomes under each will differ. Subsequently, the choice of instrument will impact the success of the initiative. Further, as tools are open to refinement and innovation, understanding of their attributes can also support future tool design.

This dissertation examined the characteristics and evolution of a unique yet financially and technically significant Canadian policy instrument – independent foundations funded through conditional government grants – with the objective of elaborating the characteristics of the instrument and gaining an understanding of the factors supporting the decision to utilize the instrument to achieve identified policy objectives. In examining the instrument choice decision, it was necessary to consider not only the characteristics of the instrument and its evolution over time, but also the broader institutional and systemic context.

Building on existing instrument choice literature, particularly Salamon's new governance approach, a framework was established for the analysis of the instrument choice decision. This framework, as described in Chapter 2 and reproduced in Figure 6 below, established a set of multilevel, nested variables for the analysis of the instrument choice decision. It encompasses the complex environment in which policy decisions are

Figure 1 Theoretical Framework for Assessment of Foundation Policy Instrument



- **Management Challenges**
- **Accountability Challenges**
- **Legitimacy Challenges**

made, the roles and influences of the various actors involved, the objectives they seek to achieve, the instrument characteristics, and the influence of time.

In general, this dissertation hypothesized that the characteristics of independence, external expertise, multi-year funding and leveraging would be viewed as having a strong

positive impact on the effectiveness and efficiency of the instrument. With the exception of multi-year funding, these characteristics were also hypothesized to positively impact the assessment of the instrument for legitimacy and political feasibility. In contrast, multi-year funding was expected to negatively impact legitimacy. Among these first four characteristics, only independence and leveraging were expected to impact the equity criteria. It was hypothesized that the independence of the instrument would make it more difficult to manage and detract from the achievement of equitable outcomes. Leveraging was expected to reduce equity by favouring those parties with greater access to funding. Automaticity, the extent to which the creation of a new entity was required, was hypothesized to impact negatively on the assessment of the instrument for efficiency and legitimacy, but not expected to have any effect on its rating for effectiveness, equity or manageability. It was also hypothesized that the low visibility of the instrument would have both positive and negative impacts on its assessment for feasibility and legitimacy. Low visibility would reduce the political return of investments, but would also permit a less controversial means of achieving federal objectives in an area of provincial jurisdiction. As a result, their low visibility would positively contribute to the assessment of foundations for effectiveness in achieving the desired objectives. Finally, it was hypothesized that the lack of coerciveness would strengthen the assessment of the instrument for legitimacy and political feasibility by making it more appealing to stakeholders. In turn, this would support its assessment for effectiveness and efficiency by encouraging stakeholder cooperation in implementation; however, it would reduce the instruments ability to achieve equitable outcomes through redistribution. This portion of the hypothesis is summarized in Table 14 below.

Table 14 Assessment of the Dimensions of Foundations

	Effectiveness	Efficiency	Equity	Manageability	Legitimacy
Independence	✓	✓	-	X	✓
External Expertise	✓	✓	-	-	✓
Multi-year Funding	✓	✓	-	-	X
Leveraging	✓	✓	X	-	✓
Automaticity	-	X	-	-	X
Visibility	✓	-	-	-	✓ / X
Coerciveness	✓	✓	X	-	✓

✓ = positive X = negative - = neutral

Along with the characteristics of the instrument itself, several neoinstitutional factors were hypothesized as influencing the instrument choice. Specifically, it was postulated that a systemic context of *public distrust of government, trusted stakeholders, bureaucratic ideals and political motivations* related to policy objectives and trends towards limiting the direct role of government, as well as the *personal commitment* of individual champions, and a *policy context* of budget surpluses supported the choice of the foundation model.

Finally, it was hypothesized that while policy learning occurred over time, changes required to address weaknesses in the instrument reduced its attractiveness. In particular, it was postulated that the government's limited control allowed foundation leaders to pursue a differing interpretation of federal objectives than that envisioned by its creators, impeding the instrument's effectiveness and that the limited accountability of the instrument threatened its legitimacy. Subsequent measures implemented by the

government to increase control and accountability hampered the advantages of foundations, specifically their independence and the government's ability to justify the one-time, up-front expensing of foundation funding. As a result, the popularity of the instrument has declined significantly since its introduction.

This conclusion section of the dissertation summarizes the main research findings and identifies the contributions and limitations of the research.

Main Research Findings

Criteria and Dimensions

The hypothesized assessment of the identified characteristics – independence, external expertise, multi-year funding, leveraging, automaticity, visibility and coerciveness – was tested through three case studies. In all three case studies, the independence of the instrument appears to have been viewed as supporting the assessment of the instrument for effectiveness, efficiency and legitimacy of the initiative. Information gathered from interviews indicates that, for a variety of reasons, there was a belief that these initiatives could be more successfully undertaken by non-government entities. This perception negated both the option of direct government delivery of the initiatives or even the creation of federal programs that would distribute the funding for the initiatives to third parties. Rather, it was deemed necessary that the government hand over the entire amount of the funding to a third-party to manage the day-to-day operations within relatively general guidelines.

Faith in the value of independence is closely related to the external expertise characteristic which generally led to a positive assessment of the instrument for

efficiency, effectiveness and legitimacy. Independence and external expertise were particularly important as means to provide legitimacy to federal actions in areas of provincial or shared jurisdiction. The independence and external expertise that characterize these organizations provided the federal government with a means to exert leadership towards its desired objectives while limiting the perception of federal interference. The influence of external expertise on the assessment of the instrument was most strongly emphasized in the CFI case study. In the words of one former senior government official, "obviously you needed some real expertise and judgment in order to pass this [the funding] out, expertise and judgment which did not repose in the government, in the bureaucracy, as it was currently set up" (19, 15/12/2010). In comparison, external expertise was less important in the instrument choice process for Infoway and CCL, where it was overshadowed by the desire for independence.

Similarly, all three case studies suggest that the multi-year funding characteristic supported the assessment of the instrument for effectiveness and efficiency. In combination with independence, the multi-year funding enabled the government's accounting treatment of the instrument. Initially, multi-year funding contributed to a positive assessment of the instrument for legitimacy and political feasibility, by limiting future financial pressures. Although decision-makers understood that the multi-year funding characteristic could impact negatively on the instrument's legitimacy by raising concerns about accountability, they greatly underestimated the extent of those concerns. While multi-year funding reduced direct control over the instrument, this does not appear to have been a particular concern. During implementation, multi-year funding provided foundations with a capacity for long-term planning and a flexibility that does not exist

within government organizations constrained by annual appropriations, which require them to spend funding within a single fiscal year. It also reassured the foundations' partners that they would be there in future years, thereby supporting the initiation of multi-year projects. The equity criterion does not appear to have been considered in relation to multi-year funding.

Leveraging was also viewed as supporting effectiveness, and efficiency.

Leveraging was naturally seen as increasing the instrument's efficiency by expanding the total investment in the initiatives based on a given federal investment (although it should be noted that this feature can also be achieved through other instruments, such as contribution agreements, that require funding from other sources). From the federal perspective, leveraging improved the assessment of the instrument for legitimacy and political feasibility, by securing non-federal funds and participation; however, this dimension also caused friction with those same intended partners.

Leveraging and characteristics associated with independence were cited by government officials as reasons for choosing the foundation instrument when questioned by the OAG in 2001. More specifically, these individuals cited: the ability of foundations to attract private sector funding; their freedom from the day-to-day involvement of the government, including its rules and regulations, which they expected would lead to greater efficiency; flexibility; citizen participation; client satisfaction; and the ability of foundations to take reasonable risks and adopt innovative ways of achieving, in a more cost-effective way, their government mandated objectives, as reasons for selecting the instrument (2001a, p. 30). Leveraging does not appear to have been considered in relation to equity and manageability in the instrument choice process.

With respect to automaticity, while it seemed logical to hypothesize that the need to create a new entity and related resource requirements would impact negatively on the assessment of the instrument for efficiency and legitimacy, the research reveals that these factors were given surprisingly little consideration. Rather, the belief that a new, independent entity would achieve greater effectiveness and overall efficiency overshadowed the financial repercussions of creating a new entity. Original documents supporting the creation of the CFI and the CCL focused on justifying the need for a new entity, e.g., that the capacity did not exist within government or that the initiative would not be well served by being undertaken by government, but do not show serious consideration of the costs that the recommended structure would incur relative to undertaking the function within government. Similarly, interviews with government officials involved in Infoway did not reveal particular concerns with the creation of a new entity rather than the use of an existing one. While it may be argued that government is often viewed as inefficient and administratively burdensome, contributing to a belief by decision-makers that third party delivery would be more efficient, the limited consideration of the costs associated with the creation of a new entity found in the evidence examined for this dissertation is striking.

The low visibility of the foundation instrument also appears to have supported a positive assessment for effectiveness and efficiency by reducing both the level of political involvement and the extent of provincial objections to federal interventions in areas of shared or provincial jurisdiction. While the low visibility does not increase the absolute legitimacy of federal initiatives in these areas, it may provide them with a veneer of acceptability.

The foundation instrument was applied in instances that utilized incentives rather than coercion to achieve the desired objectives. It is not apparent that more coercive methods or mechanisms for achieving the desired outcomes were considered or that the degree of coercion was a particular consideration. However, the low level of coercion is intrinsic to the foundation mechanism and may be viewed as contributing to its positive assessment in all three case studies. In the case of the CFI, it may be argued that the limited enforcement costs and the leveraging of trusted stakeholders in its implementation, features that are closely associated with the absence of coercion, supported a positive assessment of the mechanism for effectiveness, efficiency and legitimacy. In the case of Infoway, the mechanism's orientation towards collaboration rather than coercion could be viewed as supporting its effectiveness, efficiency and legitimacy as it encouraged the willing cooperation of the provinces, a factor necessary to the initiative's success. It is particularly difficult to imagine achieving the research and reporting objectives of the CCL through a coercive instrument, making the limited coerciveness particularly important to the instrument's success.

Perhaps one of the more surprising findings of this research is the fact that equity does not appear to have been an identified criteria or objective. While equity, both in terms of an equal distribution of costs and benefits and the redistribution of benefits to address inequality (Salamon, 2002, pp. 23-24), is traditionally considered as a public policy objective, the CFI and Infoway case studies clearly reveal that the foundation mechanism's ability to facilitate the pursuit of alternatives to equity was one of the factors leading decision-makers to favour its use. Supporters of the CFI initiative wanted to prioritize excellence over equity. By transferring responsibility for the selection of

projects to a third party, the use of the foundation instrument enabled the key decision-makers to circumvent the pressure for equitable geographic distribution traditionally exerted by politicians. Similarly, in the case of Infoway, the use of a third party to partner with provinces helped to mitigate the traditional political call for an equal per capita distribution of funding among the provinces and enabled Infoway to partner only with those provinces and organizations that were already prepared to move forward within the parameters established by the organization. Although the equity versus excellence debate was not prominent in the development of the CCL initiative, the foundation instrument did support objectivity in the development of its research funding and reporting roles.

Another unexpected research finding is the limited attention that was given to the criteria of the manageability of the foundation instrument. The government provided more than \$12 billion to these arm's length organizations through the broad parameters established in their funding agreements. This arrangement afforded foundations considerable flexibility in interpreting their mandates and determining the manner and method by which they implemented them. Despite these conditions, government representatives exhibited little concern regarding the government's limited ability to intervene should the foundations' leadership choose to implement the organizations' mandates in a manner that differed from what was initially anticipated. The government's role in the governance of the foundations, either through the creating legislation, the appointment of members or directors, or the presence of ex-officio representatives at Board meetings, the existence of ongoing informal relationships maintained between departmental and foundation representatives, and a belief in the

ability and good intentions of the external experts directing and operating the foundations, appear to have contributed to the faith that government representatives had in the successful operation of the foundation instrument (Aucoin, 2003, 2006).

While the foregoing provides a general summary of the assessment of the various criteria in the instrument choice decision for the three case studies, it must be noted that there is some variation across them. For example, the confidence in the governance structure and role of the Board weighed most strongly in the CFI case, overshadowing possible negative assessments for manageability. Likewise, external expertise was less important in the Infoway decision where it was overshadowed by the desire for independence. Similarly, leveraging made a more significant contribution to the assessment for legitimacy in the case of the CCL, where the design emphasized securing the involvement of other partners than in the case of CFI where it more strongly emphasized securing partner funding.

Neoinstitutionalism

Considering the neoinstitutional aspects of the theoretical framework, there is little evidence to support the hypothesis that public distrust of government influenced the decision to use an arm's length organization to implement either the CFI or Infoway initiative. Rather, in these two cases, there was an indication that senior officials did not believe the bureaucracy was well placed to deliver the initiatives. In comparison, individuals involved with the creation of the CCL indicated stronger support for the idea of public distrust or disillusion with government as a factor in the choice of an independent foundation. This may be at least partially due to the HRDC grants and

contributions “boondoggle” which has had a lasting impact on the department (Good, 2003).

The extent to which the instrument was championed at the bureaucratic and political levels differed among the case studies. With the CFI, strong champions for the initiative existed at both the political and bureaucratic levels. In comparison, there is less clear evidence of strong political support for the Infoway and CCL. To the extent that these initiatives were championed, it seems to have occurred largely at the bureaucratic level.

In some ways, both the political and bureaucratic support appear counterintuitive, providing an interesting reflection on the political and bureaucratic motivations at play in each case. Interestingly, these cases point to more altruistic behavior by bureaucrats and politicians than would be predicted by the narrow self-interest theorized under a rational choice model of instrument choice (Downs, 1967; Niskanen, 1971).

The low visibility of the foundation instrument provides relatively little public recognition or "credit" for the federal government's investments, suggesting that it would not be supported by politicians; however, this research finds that there may be instances where politicians prefer lower visibility. In the case of the CFI, general public recognition for the investment appears to have been less important than recognition by the influential university stakeholder community, and the arm's length, independent nature of the foundation instrument aligned well with the preferences of this group. Further, the use of an independent organization removed responsibility for project selection from the government, thereby distancing the instrument from political calls for a geographic distribution of funding and supporting the pursuit of excellence over equity.

In the case of both Infoway and CCL, the difficulties of federal-provincial relations in areas of shared and sometimes disputed jurisdiction favoured a limited federal role and the use of an independent instrument to support the success of these initiatives.

It seems similarly counterintuitive that the bureaucracy would favour the use of an independent organization rather than maintaining or developing capacity within government. Certainly, this attitude contradicts Niskanen's model of budget maximizing bureaucrats, and suggests that bureaucrats possess motivations other than growing their own bureaus. In fact, the interviews undertaken for this dissertation found that officials were motivated by other considerations, including a desire to effectively achieve the identified policy objectives and some negative assessments of the likelihood that these objectives would be achieved by implementing the initiatives within government.

These findings suggest that it is important to consider the identity of the ultimate decision-makers, as well as the fact that the analysts and managers charged with developing advice often are not directly linked with the implementation stage of an initiative and therefore have little to gain by advocating for the retention of a function within government. For example, Department of Finance officials responsible for the development of the CFI initiative had little at stake with respect to the decision of whether to structure the function within or outside of government, as responsibility for management of the funding was ultimately placed with the Department of Industry.

The evidence from this research indicates that stakeholders were not particularly influential in the development and selection of the foundation mechanism. The stakeholders of the CFI, the university presidents and academics, were strongly supportive of new investments in research infrastructure, but the 1997 pre-Budget

proposal advanced by three major university stakeholder associations⁵⁸ recommended the creation of a new federal program to implement the investment. While these stakeholders were consulted in the lead up to the 1997 Budget and would have favoured certain characteristics of the foundation mechanism, particularly its independence, there is no evidence to suggest that they directly influenced the instrument choice, although this is not to deny that confidence in the capacity of the stakeholder group may have lessened concerns regarding manageability. Similarly, while health stakeholders supported the creation of a pan-Canadian health infostructure, the evidence suggests that the decision to provide the funding to a foundation came as a surprise to most. One former Health Canada official stated, "People were very disappointed that the money was given to an arm's length corporation, because they felt that they were losing control of what was going to happen and they didn't trust an arm's length corporation to deliver. There was a lot of resistance to the existence of Infoway and a lot of challenging of Infoway by the people who had been there when they dreamed this thing up" (15, 28/10/2010). In the case of CCL, based on his consultations, David Zussman reported stakeholders to be overwhelmingly in support of the proposed Institute although this response was in reaction to what the government was proposing rather than the foundation model being advocated at the grassroots level.

It is clear that the existence of surplus funds was a major factor in the decision to use the foundation mechanism to implement the CFI initiative. While the existence of a surplus and the ability to safeguard the fiscal framework from future pressure featured less prominently in the decision to use the foundation mechanism in the cases of Infoway

⁵⁸ The Association of Universities and Colleges of Canada, the Canadian Association of University Teachers and the National Consortium of Scientific and Educational Societies

and CCL, it remained a motivating factor. In fact, one senior government official stated a belief that the instrument became overused (11, 15/10/2010). This was corroborated by a second official who noted, "I think the CFI, you would give that a five star if you were looking at it that way. Then there became, once that model with the CFI, once it was determined that it was working and working quite successfully, then in some cases, every time somebody came up with an idea, this whole issue of OK, can we set up a foundation or can we set up a trust or what can we do in order to get this money off our books quickly rather than having an ongoing obligation to it" (14, 28/10/2010). This reference to a repeated reliance on the instrument supports the observation by Landry and Varone that decision-makers have a tendency to consider previously chosen instruments (2005, p. 113).

Challenges, Implementation Issues and Policy Learning

The government encountered multiple challenges with the foundation instrument following its implementation. Following Salamon's theory on policy instruments that transfer responsibility for delivering on government policy objectives to independent third parties, this research confirms the complexity of managing policy tools that share discretion over the use of public authority and the spending of public funds (2002, p. 2). The management and accountability challenges were rendered particularly complex and important with independent foundations because the legality of the tool required the maintenance of the foundations' independence.

Evidence from the three case studies undertaken for this dissertation suggests that the extent of concerns or problems with the implementation of the foundations' mandates and the level of success in dealing with them was influenced by the quality of the

principal-agent relationship, which, in turn, was linked to the degree of government involvement in their governance and the strength of informal networks and relationships. With Infoway, the presence of Health Canada officials in the Membership of the organization and its Board of Directors appears to have tempered any concerns regarding manageability. This confidence in the management of the organization is reflected in the words of one interviewee, “CIHI and Infoway have had good Chairs. The Board Chairmen have been good. The Boards have been good. It has been deputies who have been involved so there has been a compensation subcommittee. They have used the Hay group.⁵⁹ You might argue about where things are at but right now they are sensitive to we share the government environment” (16, 09/11/2010). The Government of Canada plays a significant role in the selection of the Members and the Board of Directors of CFI, a foundation where the relationship between the organization and the government was quite positive. Additionally, departmental representatives act as ex-officio members of the Board of Directors. In comparison, the government has no role in the selection of the Board of Directors of the CCL, the case study that suggested the greatest concerns with manageability. A former HRSD official, reflecting on the performance of CCL, stated, “I think that getting back to the independence, that is a broad term and how it was interpreted by the organization and how it was understood by government, I think were pretty different.” (10, 14/10/2010).

In a related vein, confidence in the foundations’ leadership and the existence of informal relationships may have reduced concern regarding any shortcomings in manageability; however, the research conducted for this dissertation suggests there was

⁵⁹ The Hay Group is a global management consulting firm that offers a system for evaluating jobs and determining compensation.

some variation in the success of the relationships between the foundations' boards and management and the responsible departments. In particular, it revealed the existence of close relationships between the CFI and the government. One former CFI official stressed that for government objectives to successfully be achieved through the use of third parties, there is a real need for that entity, in this case the foundation, to view itself as accountable (13, 27/10/2010). A representative of CFI described the relationship as follows:

The CFI and the so-called sponsoring department, Industry Canada, work in lock-step and in parallel. . . This relationship that we have with Industry has always been very positive and productive. Because we know that we have that flexibility that others don't have, we have always shared with the sponsoring department, well here are some ideas, obviously they provide input and there are never any surprises. (2, 24/09/2010)

In comparison to this portrayal of the positive relationship between the CFI and Industry Canada, a former representative of the CCL remarked, "Had CCL been more forthcoming at that more corporate level about what it was seeking to achieve – where the work was closely aligned with research interests or policy priorities of government – those sorts of things, I think it could have made more explicit what was in fact a symbiotic relationship with government" (7, 05/10/2010).

While there appears to be a relationship between satisfaction with the implementation of the foundations' mandates and the extent of government involvement in their governance and the quality of informal relationships, it must

also be noted that for the three case studies, these factors also align with the existence of multiple federal funding investments in the foundations. In the case of both the CFI and Infoway, the federal government was able to use subsequent investments and accompanying funding agreements to provide additional direction to the entities. This did not occur with the CCL, which only received a single federal investment.

Another aspect of the manageability challenge that arose in the course of the interviews for this dissertation was the challenge of ensuring the coordination of foundations' activities with the broad array of federal policy instruments in a given sector. One Health Canada official noted,

The Canadian Partnership Against Cancer, which is another one that we manage the funding agreement, said on their own volition, 'We will check with like organizations and make sure we are working to eliminate duplication and maximize collaboration.' That was not something government told them. It was not something Health Canada told them in our funding agreement. It was something they decided to do. And I said, 'You know, we could have done that.' I arrived after the funding agreement had been finalized, but I said we could have done that in our funding agreement, but again there hadn't been that kind of thinking about how do you position any of these organizations in the current constellation of government instruments. (16, 09/11/2010)

Another former Health Canada official voiced a similar opinion, stating “I think one of the challenges that I have thought for a long time is to reconcile what all these private organizations are doing and to make sure that it remains consistent with government priorities and objectives, because once they are launched they are launched and how do you make sure that the health portfolio is actually, you know everything is going according to what the health portfolio would like to happen” (15, 28/10/2010).

Although views were somewhat mixed, the research for this dissertation suggests that government officials are well positioned to manage the relationship with independent third parties. Generally, officials are accustomed to working through networks and negotiations with stakeholders and other departments. One individual summed this up by saying, “I think public servants are evolving in their role and understanding that on some occasions it is stay out of the way and that is the right thing to do, but they’ll stay out of the way as long as they feel that it is working so that comes back to the fundamental we couldn’t mess this up. If we had not delivered, obviously, it would have been easy - shut it down. It’s not working. Or they would have become much more micromanaging” (13, 27/10/2010).

It is also clear that the government officials learned lessons about managing the foundation mechanism as time progressed. There was, of course, lots of room for policy learning, as the initial implementation of the instrument with the creation of the CFI may be viewed as having relied primarily on theory and faith. The government established the governance structure, operating framework, funding and accountability requirements of the entity through the legislation and funding agreement, but this initial framing left the organization with tremendous latitude in terms of how it managed and allocated its

funding. The government had created and funded a radically autonomous new policy instrument (Aucoin, 2006), but its design could not be tested in a laboratory. The only way to determine how it actually worked was through its implementation. In the case of Infoway, the lack of detail contained in the original Memorandum of Understanding between the government and Infoway necessitated the development of the new funding agreement which accompanied the government's 2003 investment in the organization and created clearer requirements governing the use of the organization's funding. Lessons learned were integrated into the later creation of the CCL, which benefited from previous applications of the instrument⁶⁰ and conformed to the principles and commitments on foundations contained in Budget 2003.

In the case of independent foundations, policy learning led not only to changes in decision-makers' understanding of the instrument but also to changes in the instrument itself. Although the policy instrument literature tends to consider policy instruments as static, the mechanism of conditional grants to foundations has been adapted over time, evolving from its original form in a manner that has limited its independence and strengthened its accountability requirements.

Initially, foundations were truly at or beyond arm's length from the Government of Canada and there was little publicly available information regarding government policy on conditional grants to foundations; however, over time, the government has taken a number of steps to strengthen accountability to Parliament and elaborate its policy regarding foundations. In particular, the 2003 Budget Plan included a set of guiding principles to govern the use of foundations. As well, in 2006, the government

⁶⁰ Human Resources Development. Governance of the Canadian Learning Information Institute. Ottawa. Access to Information Request A-2010-00085, p. 375.

took steps to allow the Auditor General of Canada to conduct value-for-money audits of foundations with assets in excess of \$100 million (TBS, 2005) and to include four major foundations in the Public Accounts of Canada (TBS, 2006). Finally, the revised Transfer Payment Policy issued in 2008 eliminated the use of conditional grants to foundations. The cumulative effect of these and other measures to increase accountability fundamentally changed the nature of the mechanism to the point where, while many of the entities continue to operate, their funding has been transformed to statutory appropriations, eliminating the fiscal flexibility provided to the government by the foundation mechanism.

The changes to the funding mechanism also had significant implications for these organizations. While the strengthened reporting requirements seem to have had a limited impact, the shift to cash disbursements based on annual needs and the increasing level of direction provided by the Government of Canada regarding the foundations' activities have reduced the foundations' flexibility. In particular, while these entities were initially able to use interest earned from their endowments to fulfill their mandates in ways they judged best, this capacity has been eliminated.

The changes outlined above also link to the evolving policy context of the three case studies. The earliest case study, CFI, documents a case where, notwithstanding the merits of federal investments in research infrastructure, the fiscal parameters were paramount. In contrast, in the case of the final case study, CCL, the policy objectives, particularly the need for credible research and the management of federal-provincial relationships, appear to have driven the instrument selection. Similarly, concern for the fiscal parameters may have driven the creation of this innovative mechanism in 1997,

but, by the time of the funding of CCL, in 2004, many of these financial innovations had been muted.

Contributions of the Research

This dissertation studies a unique and relatively under examined policy instrument – independent foundations. It contributes to research on policy instruments by documenting the key characteristics of the instrument and the instances of its application. In the process, it reinforces the value of a policy instrument lens which looks across programs. As demonstrated by the case studies, the examination of a single policy instrument can highlight similarities across initiatives and bring to light different considerations than are revealed by the examination of a single program or initiative (Salamon, 2002; Howlett, 2000, etc.).

Overall, foundations have been effective and efficient instruments for the achievement of government objectives to address the identified policy problems. In pursuit of their mandated objectives, they have operated as relatively lean organizations and provided sought after flexibility in delivery, producing innovations such as the gated funding model of Infoway and the strategic research plans required by the Canada Foundation for Innovation. They have also been comparatively successful at pursuing “national” objectives in areas of shared or disputed jurisdiction.

This research demonstrates that policy instruments are not static but may change over time. Their characteristics and requirements may be adapted based on policy learning and systemic pressures. In fact, in the case of independent foundations, changes to the instrument undertaken in response to calls for greater accountability led to the loss

of key characteristics, including the ability to provide up-front multi-year funding. These changes to the instrument, along with evolving federal policy regarding its use, have transformed it into something quite different from its initial conception. While the evolution of the independent foundation instrument may be viewed as a retrenchment, the fact of its evolution also points to the more positive aspect of innovations in policy instruments. Although decision-makers frequently select from a known and predetermined array of instruments, instruments may also be created or adapted to attain desired objectives with respect to an identified policy problem.

Due to the changes to conditional grants to foundations that have occurred over time, those foundations that received perpetual endowments now operate under significantly different requirements than those that received time limited funding and are now dependent on annual disbursements. While the majority of the foundations in receipt of perpetual funding received relatively small amounts, the divergence that has developed between the two types of funding suggests that future research should examine an entity such as the FCM's Green Municipal Fund (GMF) or the Pierre Elliott Trudeau Foundation, which received relatively large sums of funding in perpetuity.

The examination of the foundation mechanism highlights the tension between the use of third parties to effectively and efficiently deliver on government objectives and the need to obtain accountability for the use public funds. The independence of the foundation that supported innovations in program delivery required reduced accountability. In particular, the mechanism side-stepped the direct line of Ministerial accountability (Aucoin, 2006). Appropriate mechanisms to manage the tension between securing accountability for the use of public funds and the pursuit of policy objectives

through indirect or third party delivery rather than through direct government provision of programs and services are an important area for further research, particularly as governments try to leverage the work of third parties in an effort to do more with less in a climate of indebtedness and fiscal constraint.

In terms of a broad characterization of the instrument choice process, evidence examined for this dissertation supports a neoinstitutional rather than a rational choice approach to the choice of policy instrument, particularly the argument that instrument choice is shaped by the institutional and systemic context (Linder and Peters, 1989; Atkinson and Nigol, 1989). Evidence from the case studies contradicts the concept of decision-making by rational actors supported by a comprehensive and fully informed analysis of available policy instruments (Trebilcock et al, 1982; Doern and Wilson, 1974, etc.), suggesting instead that decision-makers choose from a limited subset of available policy instruments in alignment with the concept of bounded rationality.

Rather than being motivated strictly by self-interest, this research demonstrates that decision-makers, in this case politicians, were willing to forego high visibility federal investments in individual projects to achieve the objective of improving research capacity in Canada and the ultimate decision to invest in health information rather than front-line health care. Likewise, the bureaucratic support for the creation of new entities outside the bureaucracy is in direct opposition to Niskanen's theory of budget maximizing bureaucrats, highlighting that bureaucrats are subject to a more complex range of motivations.

The assembled evidence also suggests that decision-makers choose from a limited subset of available instruments and narrow the list based on a few key criteria. In the

case of the CFI, Department of Finance officials indicated that they had considered the granting councils and the creation of a separate agency within government as possible mechanisms, but that these were quickly eliminated due to the desire for independence and the ability to transfer the money from the government's accounts (14, 28/10/2010; 19, 15/12/2010). With respect to Infoway, a Health Canada official involved in the policy development preceding its creation indicated that it was a case of narrowing in on the mechanism based on a few key attributes. In his words, "I wasn't part of a group sitting down, saying 'here's your 16 options for agencies, and which are you going to do?' We did have the principles: wanted it at an arm's length; wanted it in a sort of secure environment; wanted it in an environment where we could actually dedicate the funding to certain areas; and then we could get it such that it was tied to some sort of deliverables" (21, 06/04/2011). In the case of CCL, the evidence suggests that the instrument choice process landed quickly on a foundation following the identification of the objective of reporting on progress on learning outcomes. The decision again seems to result from the identification of a few necessary attributes (long-term financial independence, independence from the federal government, flexibility and objectivity in reporting) that quickly led to the selection of the foundation model as the appropriate instrument.

As theorized by Atkinson and Nigol, the application of a neoinstitutional perspective to the study of instrument choice implies that "researchers should resist the temptation to treat the deployment of a policy instrument as a matter of discrete choice when it is, in fact, a temporally extended political act. There is always a history associated with the use of particular instruments, and with this history comes some shared

understanding that mediates choice. Changing direction under these circumstances can be very difficult” (1989, p. 115). In the case of independent foundations, the context of greater than anticipated deficit reductions followed by budgetary surpluses was central to the creation of the instrument, as was decision-makers’ desire that the initiatives not constrain future finances.

This research also supports Atkinson and Nigol’s argument that institutional capacity impacts policy instrument choices. In “Selecting Policy Instruments: Neo-Institutional and Rational Choice Interpretations of Automobile Insurance in Ontario,” Atkinson and Nigol argue that institutions that are independent and flexible will have the option to implement a wide range of policy instruments while institutions that are more tightly structured or restricted will be confined to a much narrower range of instruments with a tendency towards the status quo (1989, pp. 115-116). Thus, it is not surprising that the foundation instrument emerged from within the Department of Finance. The Department had the authority to initiate the creation of the instrument and with it playing the role of advocate rather than gatekeeper, there was limited opposition. In an interview for this dissertation, Paul Martin, Minister of Finance at the time of the creation of the CFI noted,

The fact was there was and is no one government department with the sole responsibility for research and development. Thus when Finance, which felt at both the political and bureaucratic levels that basic research (not just applied) was a crucial element in a growing economy, and for this reason created the CFI, there was no other department that was going to come screaming to say we are interfering in their backyard. Furthermore, given that this was discretionary

funding and given the power of the Department of Finance within any government there was no one really that was going to oppose us. In short, not only did the department have the motive and expertise to create the mechanism it also had the ability to carry it through the approval process. (24, 03/08/2011)

For researchers, the results of this dissertation highlight the importance of applying a neoinstitutional approach to the analysis of instrument choice decisions. Perhaps not surprisingly, the choice of a particular instrument is influenced by the context in which it is applied. The institutional and systemic contexts are important factors that influence the outcomes of instrument choice processes and must be considered. Following Linder and Peters assertion that decision-makers' perceptions are shaped by their background, cognitive orientations and context (1989, p. 36), the incorporation of context extends to questioning traditional assumptions regarding decision-makers' objectives and the criteria by which instruments are selected (Linder and Peters). The dimensions and criteria proposed by Salamon provide a framework for considering policy instrument choice, but the criteria and dimensions and the relative weight that decision-makers place on them will vary with the institutional and systemic context. For example, the prioritizing of excellence over equity by policy makers and the limited concern with respect to the need to create a new entity revealed by this research contradict traditional thinking regarding government and bureaucratic priorities.

For practitioners of public administration, this emphasis on the temporality of instrument choice also serves as a reminder that the context may change. In the absence of a crystal ball, policy makers should consider how an instrument may be adapted or course corrections applied in future situations. As noted earlier in this research, one issue

that arose with foundations was how to keep them aligned with changing government objectives and a changing array of instruments in the same policy area.

This research serves as a reminder of the need to question assumptions and to undertake a comprehensive analysis that considers the full range of potential policy instruments to address a given policy problem. If policy makers wish to choose the most effective or efficient instrument to achieve their objectives, they will need to filter out or at the very least be aware of the influence that the institutional and systemic context exert on the decision-making process. This includes recognizing that decision-makers may naturally tend towards instruments with which they are familiar. Practitioners should question assumptions regarding such basic elements as the criteria by which instruments are assessed. They should also step back from their analysis and ensure that the full range of instruments has been considered. Finally, the temporality of policy instruments demonstrated by this research points to the need for knowledge networks and continuous learning among practitioners to ensure that they are aware of recent developments in policy instruments.

REFERENCE LIST

- Aboriginal Healing Foundation (AHF). (2010). The Aboriginal Healing Foundation 2010-2015 Corporate Plan. Retrieved October 27, 2011 from www.ahf.ca/downloads/2010-corp-plan-eng.pdf.
- Advisory Council on Health Infostructure. (1999). *Final Report: Canada Health Infoway: Paths to Better Health*. Ottawa: Health Canada Publications. Minister of Public Works and Government Services.
- Alvarez, Richard C. (2002, September 17). The promise of e-Health – a Canadian perspective. *Ehealth International: The Journal of Applied Health Technology*. doi: 10.1186/1476-3591-1-4.
- Atkinson, Michael M. & Nigol, Robert A. (1989). Selecting Policy Instruments: Neo-Institutional and Rational Choice Interpretations of Automobile Insurance in Ontario. *Canadian Journal of Political Science*, 22(1), 107-135.
- Association of Universities and Colleges of Canada (AUCC). (1996). Backgrounder: Infrastructure for Innovation Program: Securing Canada's Future Growth and Prosperity. Retrieved July 31, 2010 from http://www.aucc.ca/publications/media/1996/09_18_b_e.html.
- , Canadian Association of University Teachers, and the National Consortium of Scientific and Educational Societies. (1996, October 18). Brief: Putting knowledge to work: Sustaining Canada as an innovative society. Retrieved July 31, 2010 from http://www.aucc.ca/publications/reports/1996/knowwork_10_18_e.html.
- Aucoin, P. (1995). *The New Public Management: Canada in Comparative Perspective*. Montreal: Institute for Research in Public Policy.
- Aucoin, P. (2003). Independent foundations, public money and public accountability: Whither ministerial responsibility as democratic governance? *Canadian Public Administration*, 46(1), 1-26.
- Aucoin, P. (2006). Accountability and Coordination with Independent Foundations: A Canadian Case of Autonomization. In Christensen, Tom and Laegreid, Per (Eds.), *Autonomy and Regulation: Coping with Agencies in the Modern State* (pp. 110-136). Cheltenham: Edward Elgar Publishing.
- Bearing Point. (2003). *Evaluation of the Innovation Fund, University Research Development, and College Research Development Fund: Final Report*. Retrieved

March 20, 2010 from
http://www.innovation.ca/docs/accountability/2003/2003_bearing2_e.pdf.

- Bemelmans-Videc, Marie-Louise. (1998). Policy Instrument Choice and Evaluation. In Bemelmans-Videc, Marie-Louise, Rist, Ray C. and Vedung, Evert (Eds.), *Carrots, Sticks, and Sermons: Policy Instruments and Their Evaluation*. (pp. 1-20). New Jersey: Transaction Publishers.
- Berg, Bruce L. (2004). *Qualitative Research Methods for the Social Sciences*. Boston: Pearson.
- Bertelli, Anthony M. (2006). Governing the Quango: An Auditing and Cheating Model of Quasi-Governmental Authorities. *Journal of Public Administration Research and Theory*, 16, 239-261.
- BMB Consulting Services. (2006). *2006 Performance Evaluation (Mid-Term). Final Report*. Retrieved September 5, 2010 from Canada Health Infoway website: http://www2.infoway-inforoute.ca/Documents/Infoway_EvaluationReportEN.pdf.
- Boase, Joan Price. (2003). Beyond Government: The Appeal of Public-Private Partnerships. *Canadian Public Administration*, 43(1), 75-92.
- Bogt, Henk J. (2003). A Transaction Cost Approach to the Autonomization of Government Organizations: A Political Transaction Cost Framework Confronted with Six Cases of Autonomization in the Netherlands. *European Journal of Law and Economics*, 16(2), 149–186.
- Borins, Sandford. New Public Management, North American Style. (2002). In McLaughlin, Kate, Osborne, Stephen P. and Ferlie, Ewan (Eds.), *The New Public Management: Current Trends and Future Prospects* (pp. 181-194). London, New York: Routledge.
- Boston, Jonathan. (1996). *Public Management : The New Zealand Model*. Auckland; New York: Oxford University Press.
- Bressers, Hans Th. A. and O'Toole, Laurence J. (1998). The Selection of Policy Instruments: A Network-Based Perspective. *Journal of Public Policy*, 18(3), 213-239.
- Buchanan, James M. & Tullock, Gordon. (1962). *The Calculus of Consent*. Ann Arbor: University of Michigan Press.
- Canada Foundation for Innovation (CFI). (1998). *Canada Foundation for Innovation: Annual Report, 1997-98*. Retrieved September 6, 2010 from <http://www.innovation.ca/docs/annualreport/annual98.pdf>.

- Canada Foundation for Innovation (CFI). (1999). *Canada Foundation for Innovation: Annual Report, 1998-99*. Retrieved September 6, 2010 from http://www.innovation.ca/docs/annualreport/annual98_99.pdf.
- Canada Foundation for Innovation (CFI). (2003). *Canada Foundation for Innovation: Annual Report, 2002-03*. Retrieved September 6, 2010 from http://www.innovation.ca/docs/annualreport/annual03_e.pdf.
- Canada Foundation for Innovation (CFI). (2005). *Canada Foundation for Innovation: Annual Report, 2004-05*. Retrieved September 6, 2010 from http://www.innovation.ca/docs/annualreport/annual05_e.pdf.
- Canada Foundation for Innovation (CFI). (2009). *Canada Foundation for Innovation: Annual Report, 2008-09*. Retrieved September 6, 2010 from http://www.innovation.ca/docs/annualreport/annual_09_e.pdf.
- Canada Foundation for Innovation (CFI). (2009). *Report on Results: An Analysis of Investments in Research Infrastructure*. Retrieved September 3, 2011 from <http://www.innovation.ca/docs/accountability/2009/2009%20Report%20on%20Results%20FINALEN.pdf>.
- Canada Foundation for Innovation (CFI). Board of Directors. Retrieved October 16, 2011 from <http://www.innovation.ca/en/about-the-cfi/governance/board-of-directors>
- Canada Foundation for Innovation (CFI). Investments at a Glance. Retrieved September 6, 2010 from <http://www.innovation.ca/en/about-the-cfi/investments-at-a-glance>
- Canada Foundation for Innovation (CFI). Overview. Retrieved June 27, 2010 from <http://www.innovation.ca/en/about-the-cfi/cfi-overview>
- Canada Health Infoway (Infoway). (2002). *Annual Report 2002*. Retrieved April 1, 2011 from the Canada Health Infoway website: <https://www2.infoway-inforoute.ca/Documents/Annual%20Report%202002%20EN.pdf>.
- Canada Health Infoway (Infoway). (2003). *2003-04 Business Plan*. Retrieved April 1, 2011 from the Canada Health Infoway website: <https://www2.infoway-inforoute.ca/Documents/Business%20Plan%202003-04%20EN.pdf>.
- Canada Health Infoway (Infoway). (2010). *Annual Report 2009-10: Reporting to Canadians*. Retrieved April 1, 2011 from the Canada Health Infoway website: https://www.infoway-inforoute.ca/flash/lang-en/ar2009-2010/docs/CHI_AnnualReport_2009-2010_ENG.pdf.

- Canada Health Infoway (Infoway). (2011). *Summary Corporate Plan 2011-12*. Retrieved April 1, 2011 from https://www2.infoway-inforoute.ca/Documents/Infoway_Sum.Corp.Plan.2011-2012_EN.pdf.
- Canada Newswire (2008, June 10). 2010 Games Operating Trust Releases Audited Financial Statements. Retrieved July 17, 2010 from <http://www.cnw.ca/en/releases/archive/June2008/10/c2355.html>.
- Canadian Agri-Food Policy Institute. About the Institute. Retrieved October 24, 2011 from <http://www.capi-icpa.ca/about.html>.
- Canadian Council on Learning (CCL). About the Canadian Council on Learning: Board of Directors: Retrieved September 27, 2009 from the Canadian Council on Learning Web Site: <http://www.ccl-cca.ca/CCL/AboutCCL/BoardofDirectors/?Language=EN>.
- Canadian Council on Learning (CCL). (2005a). *Canadian Council on Learning Annual Report 2004-2005*. Retrieved September 19, 2009 from the Canadian Council on Learning Web Site: <http://www.ccl-cca.ca/NR/rdonlyres/F47A68F1-5883-4CB2-84F2-A0711112DB6F/0/CCLRapportENG17oct.pdf>.
- Canadian Council on Learning (CCL). (2006). *Canadian Council on Learning Annual Report 2005-2006*. Retrieved September 27, 2009 from the Canadian Council on Learning Web Site: <http://www.ccl-cca.ca/NR/rdonlyres/C542DAF5-391D-4891-953B-6FB6F5A088B0/0/AnnualReport0612sept.pdf>.
- Canadian Council on Learning (CCL). (2007). *Canadian Council on Learning Business Plan Summary 2006-07*. Retrieved September 27, 2009 from <http://www.ccl-cca.ca/NR/rdonlyres/53469673-EC86-4316-82B7-3BBE21E02ADF/0/SummaryBusinessPlanBrochureE.pdf>.
- Canadian Council on Learning (CCL). (October 7, 2010). Future of the Canadian Council on Learning: Message from the President and CEO. Retrieved January 15, 2010 from <http://www.ccl-cca.ca/CCL/AboutCCL/PresidentCEO/20101005TheFuture.html>.
- Canadian Health Services Research Foundation (CHSRF). (2007). 2006 Annual Report on the Executive Training for Research Application (EXTRA) Program. Retrieved October 27, 2011 from http://www.chsrf.ca/migrated/pdf/extra/2006_EXTRA_annual_report_e.pdf.
- Canadian Health Services Research Foundation (CHSRF). History. Retrieved October 27, 2011 from http://30334.vws.magma.ca/about/history_e.php.
- Canadian Institute for Research on Linguistic Minorities (CIRLM). (2009). *Canadian Institute for Research on Linguistic Minorities: Annual Report 2008-2009*. Retrieved October 24, 2011 from

http://icrml.ca/images/stories/documents/en/Reports_Annuals/annual_report_2008-2009.pdf.

Canadian Press. (2010, March 15). Scientists fear demise of Canadian climate research. Retrieved October 25, 2011 from http://toronto.ctv.ca/servlet/an/local/CTVNews/20100315/canada_climate_100315/20100315/?hub=TorontoNewHome.

CBC News. (2010, March 19). Residential school survivors fear network end. Retrieved July 18, 2010 from <http://www.cbc.ca/canada/story/2010/03/19/aboriginal-funding-end.html?ref=rss>.

Centre for Public Management Inc. (2006, Sept.). *Canadian Council on Learning: Formative Evaluation*. Retrieved Sept. 19, 2009 from <http://www.ccl-cca.ca/pdfs/CorporateReports/FormativeEvaluationSept2006.pdf>.

Charih, Mohamed and Rouillard, Lucie. (1997). The New Public Management. In Charih, Mohamed, and Daniels, Arthur (Eds.). *New Public Management and Public Administration in Canada* (pp. 27-45). Toronto: The Institute of Public Administration of Canada.

Commission on the Future of Health Care in Canada (Roy Romanow, Commissioner). (2002, Nov.). *Building on Values: The Future of Health Care in Canada*. Retrieved Dec. 12, 2010 from <http://dsp-psd.pwgsc.gc.ca/Collection/CP32-85-2002E.pdf>.

Conference Board of Canada. (Oct. 2002). *HRDC Best Practices Workshop: Knowledge and Information on Skills and Learning*. Ottawa. Access to Information Request A-2010-00085.

Department of Canadian Heritage (2011). *2010-11 Report on Plans and Priorities*. Retrieved October 24, 2011 from <http://www.tbs-sct.gc.ca/rpp/2010-2011/inst/pch/pch-eng.pdf>.

Department of Finance (DoF). (1996, Sept. 25). Infrastructure: Endowment Fund for the 21st Century. ATI Request A-2009-000255, 28-30.

Department of Finance (DoF). (1996, Oct. 18). Putting Knowledge to Work: Sustaining Canada as an Innovative Society. ATI Request A-2010-00049, 8-22.

Department of Finance (DoF). (1996, Oct. 18). Infrastructure for Innovation Program: Securing Canada's Future Growth and Prosperity. ATI Request A-2010-00049, 23-25.

Department of Finance (DoF). (1996, Oct. 18). Canadian Research Infrastructure: Endowment Fund for the 21st Century. ATI Request A-2010-00049, 2-3.

- Department of Finance. (1996, Oct. 24). Keeping Canada at the Leading Edge: Canadian Research Infrastructure: Endowment Fund. ATI Request A-2010-00049. p. 41.
- Department of Finance. (1996, Oct. 30). Canadian Research Infrastructure: Endowment Fund for the 21st Century. ATI Request A-2010-00049, 75-76.
- Department of Finance (DoF). (1997). *Budget 2007: Building the Future for Canadians: Canada Foundation for Innovation*. Retrieved May 18, 2009 from <http://www.fin.gc.ca/budget97/innov/innove.pdf>.
- Department of Finance (DoF). (2003). *Budget Plan 2003: Building the Canada We Want*. Retrieved May 14, 2009 from <http://www.fin.gc.ca/budget03/pdf/bp2003e.pdf>.
- Department of Finance (DoF). (2005). Accountability of Foundations: Backgrounder. Retrieved September 26, 2010 from <http://www.fin.gc.ca/TOC/2005/ACCFOUND-ENG.ASP#GovtResp>.
- Department of Finance (DoF). (2006). *The Budget Plan 2006: Focusing on Priorities*. Retrieved May 14, 2009 from <http://www.fin.gc.ca/budget06/pdf/bp2006e.pdf>.
- Department of Finance (DoF). (2008). Federal Trust Funds. What is a Trust Fund? Retrieved March 20, 2011 from <http://www.fin.gc.ca/FEDPROV/FTF-ENG.ASP>.
- Department of Finance (DoF). (2009). *The Budget Plan 2009: Canada's Economic Action Plan*. Retrieved May 18, 2009 from <http://www.budget.gc.ca/2009/pdf/budget-planbugetaire-eng.pdf>.
- Department of Finance (DoF). (2010). Access to Information Request. A-2009-000255 and A-2010-00049.
- Doern, G. B. & Wilson, V.S. (1974). Conclusions and Observations. In *Issues in Canadian Public Policy*. G.B. Doern and V.S. Wilson (Eds.) Toronto: Macmillan. 337-345.
- Doern, G. Bruce & Levesque, Richard. (2002). *The National Research Council in The Innovation Policy Era: Changing Hierarchies, Networks, and Markets*. Toronto, ON, Canada: University of Toronto Press, 2002. Retrieved June 22, 2009 from <http://site.ebrary.com/lib/oculcarleton/Doc?id=10226435&ppg=147>.
- Dollery, Brian. (2001). New Institutional Economics and the Analysis of the Public Sector. *Policy Studies Review* 18(1), 185-211.
- Downs, Anthony. (1967). *Inside Bureaucracy*. Boston: Little, Brown.
- Eggertson, T. (1990). *Economic Behaviour and Institutions*. Cambridge: Cambridge University Press.

- EKOS Research Associates Inc. (2008). *Summative Evaluation of the Canadian Council on Learning*. Retrieved August 20, 2011 from <http://www.ccl-cca.ca/pdfs/corporatereports/CCL-Summative-Evaluation-2008.pdf>.
- Fisheries and Oceans Canada. (2005, February 24). Funding Announcements - Atlantic Salmon Endowment Fund. Retrieved October 25, 2011 from http://www.dfo-mpo.gc.ca/media/infocus-alaune/2005/20050223/funding_7-eng.htm.
- Ford, Robin & Zussman, David (Eds.). (1997). *Alternative Service Delivery: Sharing Governance in Canada*. Toronto: Institute of Public Administration of Canada and KPMG Centre for Government Foundation.
- Federal-Provincial/Territorial Advisory Committee on Health Infostructure. (Dec. 2000). *Blueprint and Tactical Plan for a pan-Canadian Health Infostructure*. Victoria, B.C: Sierra Systems Consultants Inc. Retrieved April 13, 2011 from <http://www.hc-sc.gc.ca/hcs-sss/pubs/ehealth-esante/2000-plan-infostructure/index-eng.php>.
- Frant, H. (1991). The New Institutional Economics: Implications for Policy Analysis. In Weimer, D. L. (Ed.), *Policy Analysis and Economics* (pp. 111-125). London: Kluwer.
- Friends of the Canadian Museum of Human Rights. The Campaign. Retrieved October 29, 2011 from http://www.friendsofcmhr.com/the_campaign/index.cfm.
- Furubotn, Eirik, & Richter, Rudolf. (1991). The New Institutional Economics: An Assessment. In Furubotn, Eirik, & Richter, Rudolf (Eds.), *The New Institutional Economics* (pp. 1–32). College Station, TX: Texas A&M University Press.
- Genome Canada. About Genome Canada. Retrieved October 29, 2011 from <http://www.genomecanada.ca/en/about>.
- Global Centre for Pluralism. About the Centre: Governance. Retrieved October 25, 2011 from <http://www.pluralism.ca/about-the-centre/governance.html>.
- Goldenberg, Eddie. (2006). *The Way it Works: Inside Ottawa*. Toronto : McClelland & Stewart.
- Good, David A. (2003). *The Politics of Public Management: The HRDC Audit of Grants and Contributions*. Toronto: University of Toronto Press.
- Good, David A. (2007). *The Politics of Public Money : Spenders, Guardians, Priority Setters, and Financial Watchdogs Inside the Canadian Government*. Toronto: University of Toronto Press.

- Good, David & Carin, Barry. (2003). *Alternative Service Delivery*. Prepared by the Canadian Team as part of the The Canada-Russia Consortium for Economic Policy Research and Advice project on "Sector and Regional Specifics of Reformation of Budgetary Institutions". Retrieved May 9, 2009 from http://www.aucc.ca/_pdf/english/programs/cepra/ASDPaper.pdf.
- Government of Canada (GoC). *Supplementary Estimates B 1999-2000*. Retrieved October 29, 2011 from http://www.collectionscanada.gc.ca/webarchives/20060116224535/http://www.tb-s-sct.gc.ca/est-pre/19992000/99seb_e.pdf.
- Hall, Peter A and Rosemary C.R. Taylor. (1996) Political Science and the Three New Institutionalisms. *Political Studies*, 44, 936-957.
- Hall, Peter A. (2000). *Policy Paradigms, Social Learning and the State*. Washington, D.C.: International Political Science Association.
- Health Canada. Audit and Accountability Bureau. (October 2008). 2008 Audit of Transfer Payments to the CHSRF. Retrieved July 22, 2010. http://www.hc-sc.gc.ca/ahc-asc/alt_formats/pdf/pubs/audit-verif/2008-13/2008-13-eng.pdf.
- Health Canada. Audit and Accountability Bureau. (May 2009). *Audit of Transfer Payments to Canada Health Infoway Inc.* Retrieved September 6, 2010 from http://www.hc-sc.gc.ca/ahc-asc/pubs/_audit-verif/2009-20/index-eng.php.
- Health Canada. Canada's Health Infostructure Chronology. Retrieved April 13, 2010 from <http://www.hc-sc.gc.ca/hcs-sss/ehealth-esante/infostructure/hist-eng.php>.
- Hill, Margaret M. (2005). Tool as Art: Observations on the Choice of Governing Instrument. In P. Eliadis, M. Hill & M. Howlett (Eds.), *Designing Government* (pp. 21-30). Montreal and Kingston: McGill-Queen's University Press.
- Hood, Christopher. (1991). A Public Management for All Seasons? *Public Administration*, 69 (Spring), 3-19.
- Hosseus, Daniel & Pal, Leslie A. (1997). Anatomy of a Policy Area: The Case of Shipping. *Canadian Public Policy*, 23 (4), 399-415.
- Hough, Paul T. (2009). A New Lobbying Reality: Getting Our Act Together! *Canadian Association of University Teachers Bulletin*. Retrieved August 14, 2009 from http://www.cautbulletin.ca/en_article.asp?articleid=2658.
- Howlett, M. & Ramesh, M. (1993). Patterns of Policy Instrument Choice: Policy Styles, Policy Learning and the Privatization Experience. *Policy Studies Review*, 12(1-2), 3-24.

- Howlett, M. (2000). *Managing the Hollow State: Procedural Policy Instruments and Modern Governance*. *Canadian Public Administration*, 43(4), 412-31.
- Howlett, Michael. (2005). What is a Policy Instrument? In P. Eliadis, M. Hill & M. Howlett (Eds.), *Designing Government* (pp. 3-50). Montreal and Kingston: McGill-Queen's University Press.
- Howlett, Michael. (2009). Governance Modes, Policy Regimes and Operational Plans: A Multi-level Nested Model of Policy Instrument Choice and Policy Design. *Policy Sciences*, 42 (1), 73-89.
- Human Resources Development Canada (HRDC). (2002). *Knowledge Matters: Skills and Learning for Canadians*. Retrieved October 23, 2010 from <http://dsp-psd.pwgsc.gc.ca/Collection/RH64-13-2002E.pdf>.
- Human Resources Development (HRDC). (2002, Nov. 8). Governance of the Canadian Learning Information Institute. Ottawa. Access to Information Request (ATI) A-2010-00085, 377-378.
- Human Resources Development Canada (HRDC). (2002, December). *The Canadian Learning Institute: A Discussion Document*. Access to Information Request (ATI) A-2010-00085, 5-29.
- Human Resources Development Canada (HRDC). ARB Input to DM Briefing Note for Follow-up Conversation with DM of Finance. Ottawa. Access to Information Request (ATI) A-2010-00085, 366-371.
- Human Resources Development Canada (HRDC). Briefing Note for the DM of HRD: Summary of Discussions with Associate Deputy Minister on Strategy for the Canadian Learning Institute (CLI). Ottawa. Access to Information Request (ATI) A-2010-00085, 220.
- Human Resources Development (HRDC). Briefing to Deputy Minister: Canadian Learning Institute. Ottawa. Access to Information Request (ATI). A-2010-00085, 221.
- Human Resources Development Canada (HRDC). *The Canadian Learning Institute: An Initial Round of Consultation*. (Levin and Seward). Ottawa. Access to Information (ATI) Request A-2010-00085, 128.
- Human Resources Development Canada (HRDC). (2003, April 15). *Canadian Learning Institute: Governance Structure Options*. Ottawa. Access to Information Request A-2010-00085, 396-7.
- Human Resources Development Canada (HRDC). *Canadian Learning Institute Storyline* (Storyline). Ottawa. Access to Information Request (ATI) A-2010-00085, 103.

- Human Resources Development Canada (HRDC). Options for Addressing Needs. Ottawa. Access to Information Request A-2010-00085, 105-106.
- Human Resources Development Canada (HRDC). (2003, Jan. 9). Minister of Human Resources Development Canada appoints two advisors to lead Learning Institute consultations. Retrieved September 7, 2009 from <http://www.rhdcc-hrsdc.gc.ca/eng/cs/comm/news/2003/030109b.shtml>.
- Industry Canada (IC). (2002, Nov. 13). Government of Canada Hosts National Summit on Innovation and Learning. Retrieved September 19, 2009 from <http://www.ic.gc.ca/eic/site/ic1.nsf/eng/02658.html>.
- Industry Canada (IC). (2009). Mobilizing Science and Technology to Canada's Advantage: Progress Report 2009. Retrieved July 19, 2010 from <http://www.ic.gc.ca/eic/site/ic1.nsf/eng/04717.html>.
- Industry Canada (IC). (2010, Nov. 11). Canadian Company Capabilities: Canada Pork International - Complete Profile. Retrieved October 24, 2011 from <http://www.ic.gc.ca/app/ccc/srch/nvgt.do?lang=eng&prtl=1&sbPrtl=&estblmntNo=123456154746&profile=cmpltPrfl&profileId=21&app=sold>.
- Infrastructure Canada. (2005, May). *Canada – Alberta Agreement on the Transfer of Federal Gas Tax Revenues Under The New Deal for Cities and Communities, 2005 – 2015*. Retrieved August 10, 2010 from <http://www.infc.gc.ca/ip-pi/gtf-ft/agree-entente/agree-entente-ab-eng.html>.
- Infrastructure Canada. (2009, August). *National Summative Evaluation of the Gas Tax Fund and Public Transit Fund*. Retrieved July 31, 2010 from <http://www.infc.gc.ca/pd-dp/eval/nse-esn/nse-esn-eng.html>.
- Institute of Intergovernmental Relations (IIR). (2003). *Canada Millennium Scholarship Foundation: Evaluation of the Foundation's Performance, 1998-2002*. Retrieved June 7, 2009 from http://www.millenniumscholarships.ca/images/Reports/evaluation_en.pdf.
- Judge, David, Hogwood Brian W. & McVicar, Murray. (1997). The 'Pondlife' of Executive Agencies: Parliament and 'Informatory' Accountability. *Public Policy and Administration*, 12 (2), 95-115.
- Kirschen, E. S. et al. (1964). *Economic policy in our time (3 Volumes)*. Amsterdam: North-Holland.
- Kosseim, Patricia. (2005, November 30). The Advent of Electronic Health Records (EHRs) in the Current Legal and Policy Context. Speech presented at Electronic Health Information & Privacy Conference. Ottawa Centre for Research and

Innovation. Ottawa, Ontario. Retrieved December 12, 2010 from http://www.priv.gc.ca/speech/2005/sp-d_051130_pk_e.cfm.

KPMG. (2009a). *Final Report: Evaluation and Value-for-Money Audit (OPEA), Canada Foundation for Innovation – Evaluation Component. October 30, 2009*. Retrieved Aug. 19, 2011 from http://www.innovation.ca/docs/accountability/OPEA/Overall%20Performance%20Evaluation_FINAL.pdf.

KPMG. (2009b). *Canada Foundation for Innovation (CFI): Performance Audit Final Report, October 21, 2009*. Retrieved Aug. 19, 2011 from http://www.innovation.ca/docs/accountability/OPEA/Performance%20Audit%20Report_FINAL.pdf.

Landry, Réjean & Frédéric Varone. (2005). Choice of Policy Instruments: Confronting the Deductive and the Interactive Approaches. In P. Eliadis, M. Hill & M. Howlett (Eds.), *Designing Government* (pp. 106-131). Montreal and Kingston: McGill-Queen's University Press.

Larocque, Sylvain. (2003, Dec. 05). Mise en garde de Reid à Ottawa; Un ministère fédéral de l'Éducation, ce serait augmenter la bureaucratie aux dépens des services de proximité. *Le Devoir*, p. A1.

Levin, Benjamin and Shirley Seward. (2003). *Consultations on the Government of Canada's proposal to establish a Canadian Learning Institute*. Retrieved September 7, 2009 from <http://www.nald.ca/library/research/consulta/consulta.pdf>.

Linder, Stephen H. & B. Guy Peters. (1989). Instruments of Government: Perceptions and Context. *Journal of Public Policy*, 9(1), 35-58.

Linder, Stephen H. & B. Guy Peters. (1998). The Study of Policy Instruments: Four Schools of Thought. In B. Guy Peters and Frans K.M. van Nispen (Eds.), *Public Policy Instruments: Evaluating the Tools of Public Administration* (pp. 33-45). Cheltenham: Edward Elgar.

May, Kathryn. (2003, January 27). Federal government slips education onto agenda through learning institute: Think-tank viewed as way to influence provincial jurisdiction. *The Ottawa Citizen*, p. A1.

Mayhew, David R. (1974). *Congress: The Electoral Connection*. New Haven: Yale University Press.

Mental Health Commission of Canada. (2007, August 31). Media Backgrounder. Retrieved July 18, 2010 from <http://www.pm.gc.ca/eng/media.asp?id=1807>.

- Mullins, Morell E., Steve W.J. Kozlowski, Neal Schmitt, Ann W. Howell. (2008). The role of the idea champion in innovation: The case of the Internet in the mid-1990s. *Computers in Human Behavior*, 24 (2), 451-467.
- Mulgan, Richard. (2002). Public accountability of provider agencies: the case of the Australian 'Centrelink'. *International Review of Administrative Sciences*, 68 (1), 45-59.
- National Aboriginal Achievement Foundation (NAAF). (2009). *National Aboriginal Achievement Foundation, Annual Report 2008-09*. Retrieved July 1, 2010 from http://www.naaf.ca/sites/default/files/docs/Annual_Report_Nov24ENG.pdf.
- Natural Resources Canada (2007). *Report on Plans and Priorities, 2006-07*. Retrieved October 25, 2011 from <http://www.tbs-sct.gc.ca/rpp/2006-2007/nrcan-rncan/nrcan-rncan04-eng.asp#cg>.
- Niskanen, W. A. (1971). *Bureaucracy and Representative Government*. Chicago: Aldine-Atherton.
- OECD. (1996). *The Knowledge-Based Economy*. Paris: OECD. Retrieved October 3, 2010 from <http://www.oecd.org/dataoecd/51/8/1913021.pdf>.
- OECD. (2001). *Financial Management and Control of Public Agencies*. Sigma Papers no. 32 Paris: OECD.
- OECD. (2004). *Public Sector Modernisation: Changing Organisational Structures*. Policy Brief. Paris: OECD. Retrieved October 24, 2011 from <http://www.oecd.org/dataoecd/35/21/33714754.pdf>.
- Office of the Auditor General (OAG). (1997). Chapter 36—Other Audit Observations. *1997 December Report of the Auditor General of Canada*. Retrieved May 10, 2009 from http://www.oag-bvg.gc.ca/internet/English/parl_oag_199712_36_e_8139.html.
- Office of the Auditor General (OAG). (1998a). Observations of the Auditor General on the Financial Statements of the Government of Canada for the year-ended March 31, 1998. Retrieved May 10, 2009 from http://www.oag-bvg.gc.ca/internet/English/parl_obs_1998_e_17728.html#intro.
- Office of the Auditor General (OAG). (1998b). Chapter 9: Reporting Government Financial Results: The Importance of Complying with Objective Accounting Standards. *April 1998 Report of the Auditor General of Canada*. Retrieved May 10, 2009 from http://www.oag-bvg.gc.ca/internet/English/parl_oag_199804_09_e_9315.html.

- Office of the Auditor General (OAG). (1999). Chapter 23: Involving Others in Governing—Accountability at Risk. *November Report of the Auditor General of Canada*. Retrieved December 10, 2008 from http://www.oag-bvg.gc.ca/internet/English/parl_oag_199911_23_e_10152.html.
- Office of the Auditor General (OAG). (2001a). Observations of the Auditor General on the Financial Statements of the Government of Canada for the year-ended March 31, 2001. Retrieved May 10, 2009 from <http://www.oag-bvg.gc.ca/internet/docs/agobs01e.pdf>.
- Office of the Auditor General (OAG). (2001b). Opening Statement to the Standing Senate Committee on Energy, the Environment and Natural Resources. May 29, 2001. Retrieved May 10, 2009 from the Office of the Auditor General Web site: http://www.oag-bvg.gc.ca/internet/English/oss_20010529_e_23748.html.
- Office of the Auditor General (OAG). (2002). Chapter 1: Placing the Public's Money Beyond Parliament's Reach. *April Report of the Auditor General of Canada*. Retrieved December 10, 2008 from http://www.oag-bvg.gc.ca/internet/English/parl_oag_200204_01_e_12374.html.
- Office of the Auditor General (OAG). (2005). Chapter 4: Accountability of Foundations. *February Status Report of the Auditor General of Canada*. Retrieved December 10, 2008 from http://www.oag-bvg.gc.ca/internet/English/parl_oag_200502_04_e_14924.html.
- Office of the Auditor General (OAG). (2006). Chapter 12: Role of Federally Appointed Board Members – Sustainable Development Technology Canada. *November 2006 Report of the Auditor General*. Retrieved August 25, 2010 from <http://www.oag-bvg.gc.ca/internet/docs/20061112ce.pdf>.
- Office of the Auditor General (OAG). (2008). Chapter 1, A Study of Federal Transfers to Provinces and Territories. *December 2008 Report of the Auditor General of Canada to the House of Commons*. Retrieved September 23, 2010 from http://www.oag-bvg.gc.ca/internet/English/parl_oag_200812_01_e_31825.html.
- Office of the Auditor General of Canada. (2009). Chapter 4: Electronic Health Records. *Fall 2009 Report of the Auditor General of Canada*. Ottawa: Minister of Public Works and Government Services Canada.
- Office of the Auditor General of Canada. (April 2010). *Electronic Health Records in Canada: An Overview of Federal and Provincial Audit Reports*. Ottawa: Minister of Public Works and Government Services Canada.
- Ontario Public Service Restructuring Secretariat (OPSRS) (1999). *Alternative Service Delivery in the Ontario Public Sector*. Retrieved May 16 from www.allamreform.hu/letoltheto/kozfeladatok/kulfoldi/asd_on.pdf.

- Orum, Anthony M., Feagin, Joe R., & Sjoberg, Gideon. (1991). The Nature of the Case Study. In Feagin, Joe R., Orum, Anthony M. and Sjoberg, Gideon. (Eds.), *A Case for the Case Study* (pp.1-26). Chapel Hill: The University of North Carolina Press.
- Osborne, D. & Gaebler, T. (1992). *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*. Reading, MA: Addison-Wesley.
- Osborne, D. & Plastrik, P. (1997). *Banishing Bureaucracy*. Reading, MA: Addison-Wesley.
- Pal, Leslie. (2005). Case Study Method and Policy Analysis. In I. Geva-May (Ed.), *Thinking Like a Policy Analyst: Policy Analysis as a Clinical Profession* (pp. 227-257). New York: Palgrave Macmillan.
- Pal, Leslie A. (2006). *Beyond Policy Analysis : Public Issue Management in Turbulent Times*. 3rd ed. ed. Toronto: Nelson.
- Papadopoulos, Stavroula. (2005). History of the Creation of the Council of Canadian Academies. Retrieved October 27, 2011 from [http://www.scienceadvice.ca/uploads/eng/workshop%20report%20and%20history/\(2009\)%20history%20of%20the%20council%20of%20canadian%20academies.pdf](http://www.scienceadvice.ca/uploads/eng/workshop%20report%20and%20history/(2009)%20history%20of%20the%20council%20of%20canadian%20academies.pdf).
- Peters, B. Guy. (2002). The Politics of Tool Choice. In L. M. Salamon, (Ed.), *The Tools of Government: A Guide to the New Governance* (pp. 552-564). New York, New York: Oxford University Press.
- Peters, B. Guy. (2005). Conclusion: The Future of Instruments Research. In P. Eliadis, M. Hill & M. Howlett (Eds.), *Designing Government* (pp. 353-364). Montreal and Kingston: McGill-Queen's University Press.
- Pollitt, C. and Bouckaert, G. (2000). *Public Management Reform: A Comparative Analysis*. Oxford: Oxford University Press.
- Powell, Walter W., and Paul DiMaggio. (1991). *The New Institutionalism in Organizational Analysis*. Chicago: University of Chicago Press.
- Provincial and Territorial Ministers of Health. (2000). *Understanding Canada's Health Care Costs, Interim Report, Provincial and Territorial Ministers of Health*. Retrieved April 13, 2010 from http://www.gov.pe.ca/photos/original/health_costs.pdf.

- Public Policy Forum (PPF). (2003a). *Canadian Learning Institute Initiative: Discussion Document*. Retrieved September 7, 2009 from http://www.ppforum.com/sites/default/files/cdn_learning_institute_initiative.pdf.
- Public Policy Forum (PPF). (2003b). *Final Report: Outlining the Results of the Consultations on the Canadian Learning Institute*. Retrieved September 7, 2009 from http://www.ppforum.com/sites/default/files/cli_report.pdf.
- Public Sector Accounting Board (PSAB). *Twenty Questions About the Government Reporting Entity*. Retrieved October 15, 2011 from <http://www.psab-ccsp.ca/item14956.pdf>. Toronto: The Canadian Institute of Chartered Accountants.
- Salamon, L. M. (1989). The Changing Tools of Government Action: An Overview. In L. M. Salamon (Ed.), *Beyond Privatization: The Tools of Government Action* (pp. 1-22). Washington, D.C.: The Urban Institute Press.
- Salamon, L. M. & Lund, M. (1989). The Tools Approach: Basic Analytics. In L. M. Salamon (Ed.), *Beyond Privatization: The Tools of Government Action* (pp. 23-50). Washington, D.C.: The Urban Institute Press.
- Salamon, L. M. (2002). The New Governance and the Tools of Public Action: An Introduction. In L. M. Salamon (Ed.), *The Tools of Government: A Guide to the New Governance* (pp. 1-47). New York, New York: Oxford University Press.
- Schneider, Anne L., and Helen Ingram. (1990). Behavioral Assumptions of Policy Tools. *The Journal of Politics* 52, 510-29.
- Sokoloff, Heather. (2003, February 18). Provinces decry federal foray into education: I don't know what this Learning Institute could possibly contribute to our agenda. *The National Post*. (Toronto, ON), p. A14.
- Speech from the Throne to open the Second Session Thirty-Seventh Parliament of Canada* (2002). Retrieved September 19, 2009 from <http://www2.parl.gc.ca/Parlinfo/Documents/ThroneSpeech/37-2-e.html>.
- Stake, Robert E. (1995). *The Art of Case Study Research*. Thousand Oaks: Sage Publications.
- Standing Committee on Aboriginal Affairs and Northern Development (SCAAND). Canada. Parliament. House of Commons. (2010). *Study and Recommendations of the Standing Committee on Aboriginal Affairs and Northern Development Concerning the Aboriginal Healing Foundation*. Retrieved September 7, 2010 from http://www.parl.gc.ca/content/hoc/Committee/403/AANO/Reports/RP4634716/403_AANO_Rpt02/403_AANO_Rpt02-e.pdf.

Standing Committee on Government Operations and Estimates. Canada. Parliament. House of Commons. *Evidence*. (Wednesday, October 29, 2003) 37th Parliament, 2nd Session. Retrieved April 1, 2011 from <http://www2.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&Parl=37&Ses=2&DocId=1129780&File=0>.

Standing Committee on Health. Canada. Parliament. House of Commons. *Evidence*. (Meeting No. 33. Monday, April 18, 2005). 38th Parliament, 1st Session. Retrieved April 1, 2011 from <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=1777783&Language=E&Mode=1&Parl=38&Ses=1>.

Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities (SC). Canada. Parliament. House of Commons. *Evidence*. (Meeting No. 31. Tuesday, May 26, 2009). 40th Parliament, 2nd Session. Retrieved October 3, 2009 from <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=3921220&Language=E&Mode=1&Parl=40&Ses=2>.

Standing Committee on National Finance. Canada. Parliament. Senate. Proceedings of the Standing Senate Committee on National Finance. *Evidence*. (Tuesday, February 4, 2003). 37th Parliament, 2nd Session. Retrieved January 16, 2011 from http://www.parl.gc.ca/37/2/parlbus/commbus/senate/Com-e/fin-e/02ev-e.htm?Language=E&Parl=37&Ses=2&comm_id=13.

Standing Committee on Public Accounts. Canada. Parliament. House of Commons. (2000). *The Thirteenth Report of the Standing Committee on Public Accounts: Involving Others in Governing: Accountability at Risk*. Retrieved May 14, 2009 from <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=1031726&Language=E&Mode=1&Parl=36&Ses=2>.

Standing Committee on Social Affairs, Science and Technology. Canada. Parliament. (2002). Senate. *The Health of Canadians –The Federal Role. Vol. 6: Recommendations for Reform*. Retrieved December 12, 2010 from <http://www.parl.gc.ca/37/2/parlbus/commbus/senate/com-e/SOCI-E/rep-e/repoct02vol6-e.pdf>.

Stewart, Jane. (2002). Remarks by The Honourable Jane Stewart Minister of Human Resources Development Canada on behalf of The Right Honourable Jean Chrétien Prime Minister of Canada. The National Summit on Innovation and Learning. Toronto. 18 Nov. 2002. Retrieved September 7, 2010 from http://www.hrsdc.gc.ca/eng/cs/comm/speeches/hrdc/2002/021118_e.shtml.

- Taylor, D. Wayne & Warrack, Allan A. (1998). Privatization of state enterprise: policy drivers and lessons learned. *International Journal of Public Sector Management*, 11(7), 524-535.
- Trans Canada Trail. Canadian Heritage extends grant for trail construction. Retrieved October 25, 2011 from http://www.tctrail.ca/PCH_Grant.php.
- Treasury Board Secretariat (TBS). (1995). Framework for Alternative Program Delivery. Retrieved May 30, 2009 from http://epe.lac-bac.gc.ca/003/008/099/003008-disclaimer.html?orig=/100/201/301/tbs-sct/tb_manual-ef/Pubs_pol/oepubs/TB_B4/dwnld/frdoce.doc
- Treasury Board Secretariat (TBS). (2000a). *Government Response to: The Thirteenth Report of the Standing Committee on Public Accounts "Involving Others in Governing: Accountability at Risk"*. Retrieved May 10, 2009 from http://www.tbs-sct.gc.ca/pubs_pol/oepubs/TB_b4/grscpa-eng.asp.
- Treasury Board Secretariat (TBS). (2000b). Integrated Risk Management Framework. Retrieved May 16, 2009 from <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=12254§ion=text>.
- Treasury Board Secretariat (TBS). (2000c). *Results for Canadians*. Retrieved May 16, 2009 from http://www.tbs-sct.gc.ca/report/res_can/rc_bro-eng.asp.
- Treasury Board Secretariat (TBS). (2001). Backgrounder: Modern Comptrollership. Retrieved May 16, 2009 from <http://www.tbs-sct.gc.ca/media/nr-cp/2001/0601-eng.asp>Backgrounder.
- Treasury Board Secretariat (TBS). (2002). Policy on Alternative Service Delivery- Archived. Retrieved January 10, 2009 from http://www.tbs-sct.gc.ca/pubs_pol/oepubs/tb_b4/asd-dmps1-eng.asp.
- Treasury Board Secretariat (TBS). (2003). *Government Response to the 14th Report of the Standing Committee on Public Accounts (Chapter 1 of the April 2002 Report of the Auditor General of Canada --Placing the Public's Money Beyond Parliament's Reach)*. Retrieved May 30, 2009 from <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=1099009&Language=E&Mode=1>.
- Treasury Board Secretariat (TBS). (2004). *2004-2005 Departmental Report on Plans and Priorities: Preparation Guide*. Retrieved June 9, 2010 from http://www.collectionscanada.gc.ca/webarchives/20060116221853/http://www.tbs-sct.gc.ca/est-pre/20042005/guide_0405_e.pdf.

- Treasury Board Secretariat (TBS). (2005). *Government Response to the Sixth Report of The Standing Committee on Public Accounts*. Retrieved January 9, 2009 from <http://www.tbs-sct.gc.ca/report/gr-rg/2005/0622-eng.asp>.
- Treasury Board Secretariat (TBS). (2006). *Government Response to the First Report of the Standing Committee on Public Accounts*. Retrieved January 9, 2009 from <http://www.tbs-sct.gc.ca/report/gr-rg/2006/08-16-eng.asp>.
- Treasury Board Secretariat (TBS). (2006b). *Guide for the Preparation of 2006-2007 Part III of the Estimates: Reports on Plans and Priorities*. Retrieved July 17, 2010 from http://www.collectionscanada.gc.ca/webarchives/20060117215523/http://www.tb-s-sct.gc.ca/est-pre/20062007/p308_e.asp.
- Treasury Board Secretariat (TBS). (February 22, 2007). *Agents of Parliament, Canadian Wheat Board and Foundations Brought Under Access to Information*. Retrieved September 21, 2011 from <http://www.tbs-sct.gc.ca/media/nr-cp/2007/0222-eng.asp>.
- Treasury Board Secretariat (TBS). (2007a). *Detailed Instructions for the Preparation of the 2008–09 Reports on Plans and Priorities*. Retrieved December 10, 2008 from <http://www.tbs-sct.gc.ca/rpp/2008-2009/instructions-eng.pdf>.
- Treasury Board Secretariat (TBS). (2007b). *Evaluation of Foundations*. Retrieved December 12, 2008 from <http://www.tbs-sct.gc.ca/report/orp/2007/ef-fe/ef-fepr-eng.asp?format=print>.
- Treasury Board Secretariat (TBS). (2007c). *Assessing, Selecting, and Implementing Instruments for Government Action*. Retrieved March 17, 2011 from <http://www.tbs-sct.gc.ca/ri-qr/documents/gl-ld/asses-eval/asses-eval-eng.pdf>.
- Treasury Board Secretariat (TBS). (February 22, 2007). *Agents of Parliament, Canadian Wheat Board and Foundations Brought Under Access to Information*. Retrieved September 27, 2011 from <http://www.tbs-sct.gc.ca/media/nr-cp/2007/0222-eng.asp>.
- Treasury Board Secretariat (TBS). (2008a). *2008-2009 Report on Plans and Priorities – Foundations (Conditional Grants)*. Retrieved December 20, 2008 from <http://www.tbs-sct.gc.ca/rpp/2008-2009/info/cg-sc-eng.asp>.
- Treasury Board Secretariat (TBS). (2008b). *Directive on Transfer Payments*. Retrieved December 30, 2008 from <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=14208§ion=text#appA>.
- Treasury Board Secretariat (TBS). (2008c) *Policy on Transfer Payments*. Retrieved December 12, 2008 from <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=13525§ion=text#cha1>.

- Treasury Board Secretariat (TBS). (2009). *2009-2010 Reports on Plans and Priorities – Up-Front Multi-Year Funding*. Retrieved May 24, 2009 from <http://www.tbs-sct.gc.ca/rpp/2009-2010/info/myf-fpi-eng.asp#shc>.
- Trebilcock M.J., Hartle D.G., Prichard R.S. and Dewees D.N. (1982). *The Choice of Governing Instruments*. Ottawa: Economic Council of Canada.
- Trebilcock, Michael J. (2005). The Choice of Governing Instrument: A Retrospective. In P. Eliadis, M. Hill & M. Howlett (Eds.), *Designing Government* (pp. 31-50). Montreal and Kingston: McGill-Queen's University Press.
- U.K. Cabinet Office. (2006). Policy and characteristics of a Public Body. In U.K. Civil Service, *Public Bodies: A Guide for Departments* Retrieved May 18, 2009 from <http://www.civilservice.gov.uk/about/work/codes/public-bodies.aspx>.
- Vining, A.R. & Weimer, D.L. (1996). Economics. In D.F Kettl and H.B. Milward (Eds.), *The State of Public Management* (pp. 92-117). Baltimore: Johns Hopkins Press.
- Webster, Paul. (2010 February 16.). Canada's electronic health records initiative stalled by federal funding freeze. *CMAJ*. 182(5), E247–E248. doi: 10.1503/cmaj.109-3183.
- Wilkins, John. (2003). Conceptual and practical considerations in alternative service delivery. *International Review of Administrative Sciences*, 69, 173–189.
- Williamson, O.E. (1979). Transaction-Cost Economics: The Governance of Contractual Relations. *Journal of Law and Economics*, 22(2), 233-261.
- Williamson, O. E. (1981). The Economics of Organization: The Transaction Cost Approach. *American Journal of Sociology*, 87(3), 548–577.
- Williamson, O. E. (1998). Transaction Cost Economics: How it works; where it is Headed. *De Economist*, 146(1), 23-58.
- Williamson, O. E. (1999). Public and Private Bureaucracies: A Transaction Cost Economic Perspective. *The Journal of Law, Economics, & Organization*, 15(1), 306–342.
- Yin, Robert K. (2003). *Case Study Research : Design and Methods*. 3rd ed. Thousand Oaks, California: Sage Publications.

APPENDIX A: INTERVIEW QUESTIONS

Interview Questions: For Foundation Representatives

I am interested in understanding the characteristics that lead to the selection of a conditional grant to an independent foundation to achieve policy objectives and the advantages and disadvantages of the foundation model.

Do you think that a government department or agency would have been able to achieve the policy objectives of the foundation? Is the certainty of multi-year funding important to achieving the foundation's mandate?

- Do you consider the independence of the foundation to be advantageous? Why?
- Do you believe that the independence and experience of the foundation's Board of Directors is particularly important to achievement of the foundation's mandate? In what way?

To what extent is collaboration with provincial governments necessary to achieve the foundation's mandate? Would federal-provincial jurisdictional issues hinder a federal entity trying to achieve the same objectives?

Do you feel that the public recognized/recognizes that the foundation's activities were/are largely sponsored by the government of Canada?

How did public consultations before or after the foundation's creation influence the design of the foundation or its activities?

Did stakeholders express a preference for third party delivery?

Some authors have suggested that the use of third party mechanisms was encouraged by public distrust of government.

- a) Would you say that public distrust of government was a factor in the creation of the foundation?
- b) How do you think the public would have responded to direct government action in this area?

Were there one or more individuals either within or outside government who championed the use of an arm's length organization?

To what extent was the initiative championed at the political level?

Consider the process and impact of successive measures to strengthen accountability.

- a) How did these impact the relationship between the government and the foundation?
- b) How did these changes impact the foundation's ability to achieve its mandate?

c) To what extent have these changes reduced the advantages of the foundation model? How?

Can you describe your experience in working with the sponsoring department? Has it changed as the government has introduced new accountability measures? How?

Interview Questions: For Government Officials

I am interested in understanding the characteristics that lead to the selection of a conditional grant to an independent foundation to achieve policy objectives.

In particular, what were the considerations surrounding the decision to use an organization at arm's length from government rather than direct government delivery?

- a) Were policy instruments other than a foundation considered to address the policy problem? How extensive was this effort?
- b) What strengths and weaknesses were there?
- c) Which characteristics were the determining factors?
- d) Was the decision influenced by other recent initiatives?

Why was a multi-year funding instrument chosen?

Were effectiveness and efficiency considerations? If so, in what way?

Why was the independence of the foundation considered to be advantageous?

Was there an existing structure or capacity within government to deliver on the foundation's objectives?

Was external expertise a factor in the choice of the foundation model?

Did federal-provincial jurisdictional considerations influence the choice of the foundation model? How?

Was the limited role for political "announceables" considered when this instrument was chosen? If so, what were the considerations?

Do you feel that the public recognized/recognizes that the foundation's activities were/are largely sponsored by the government of Canada?

To what extent did the ability to expense funding in one year influence the decision?

How did public consultations influence the design? Did stakeholders express a preference for third party delivery?

Some authors have suggested that the use of third party mechanisms was encouraged by public distrust of government.

- c) Would you say that public distrust of government was a factor in the choice of policy instrument?
- d) How do you think the public would have responded to direct government action in this area?

Were there one or more individuals either within or outside government who championed the use of a foundation?

To what extent was the initiative championed at the political level?

Did the use of a foundation result in any unanticipated consequences?

- a) How well were/are the activities of the foundation aligned with its mandate?**
- b) Did the organization take on new or different roles and activities than were anticipated?**
- c) If activities were different than expected, what capacity did the government have to redirect the organization?**

Can you describe your experience in working with the organization?

How did it differ from working with government departments or agencies? Would you say that working with the foundation required different skills, for example, networking, collaboration, and negotiation? What particular challenges did you encounter in working with the foundation?

Consider the process and impact of successive measures to strengthen accountability.

- d) How did these impact the relationship between the government and the foundation?**
- e) How did these changes impact the entity's ability to achieve its mandate?**
- f) To what extent have these reduced the advantages of the foundation model? How?**

APPENDIX B: LETTERS OF INFORMATION AND CONSENT



Dear XXX:

My name is Helen Smiley. I am a doctoral student in Public Policy at Carleton University's School of Public Policy and Administration. I am undertaking a doctoral dissertation on the use of independent foundations as a policy instrument under the supervision of Professor Leslie Pal.

I would appreciate the opportunity to interview you on the subject of my dissertation. I am specifically interested in the emergence and evolution of independent foundations as a public policy instrument and the advantages and disadvantages of this mechanism in the pursuit of public policy objectives. [Insert A or B as appropriate.]

- A. It is my intention to include [insert name of organization] as a case study in this research. Your knowledge as a key individual in the organization would be extremely informative in this project.
- B. Your experience as a government official involved in the implementation of this policy instrument would be extremely informative in this project.

The interview would last approximately one hour. Naturally, your participation in this research project is entirely voluntary and you may choose not to answer any question you wish. Further, you have the right to withdraw at any time by advising me. You may decide at that time if I may use the information that you have provided or if you wish to have the information that I have collected destroyed.

Your name will not appear in any thesis or report resulting from this study and only anonymous quotations will be used. With your permission, I will complete an audio recording of our interview to assist with my subsequent analysis. Data collected during this study will be retained in a locked filing cabinet in my office and destroyed once my dissertation has been approved or, at the latest, by December 31, 2014.

If you have any questions regarding this study, or would like additional information to assist you in reaching a decision about participation, please contact me at

hsmiley@connect.carleton.ca or 613-520-2547 or my supervisor, Dr. Leslie Pal at leslie_pal@carleton.ca 613-520-2600.

This study has been reviewed and received ethics clearance through the Carleton University Research Ethics Committee. If you have any comments or concerns regarding your participation in this study, please contact Professor Antonio Gualtieri, Chair, Carleton University Research Ethics Committee, Office of Research Services, Carleton University, 1125 Colonel By Drive, Ottawa, Ontario, K1S 5B6, telephone: 613-520-2517 or e-mail: ethics@carleton.ca.

I hope that the results of my study will support future public policy development. Should you be interested in the final results of this research project, all Carleton University Theses are available on the Theses Canada Portal of Library and Archives Canada or I would be happy to forward you an electronic copy once my dissertation is approved.

I look forward to speaking with you and thank you in advance for your assistance in this project.

Yours sincerely,

Helen Smiley

Ph.D. Candidate

Dr. Leslie Pal, Supervisor

Chancellor's Professor of Public Policy and Administration.

**CONSENT FORM: FOR PARTICIPATION IN RESEARCH PROJECT ON
INDEPENDENT FOUNDATIONS**

I have read the information presented in the information letter regarding the study being conducted by Helen Smiley, Ph.D. Candidate at Carleton University's School of Public Policy and Administration. I have had the opportunity to ask any questions related to this study, to receive satisfactory answers to my questions, and any additional details I wanted.

I am aware that I have the option of allowing my interview to be audio recorded to ensure an accurate recording of my responses.

I am also aware that information from the interview may be included in the thesis and/or publications to come from this research, with the understanding that all quotations will be anonymous.

I was informed that I may withdraw my consent at any time without penalty by advising the researcher.

I understand that the information collected during this interview will be destroyed at the earlier of approval of this dissertation or December 31, 2014.

I understand that this project has been reviewed by, and received ethics clearance through, the Carleton University Research Ethics Committee. I was informed that if I have any comments or concerns resulting from my participation in this study, I may contact the Chair of the Committee, Professor Antonio Gualtieri, Office of Research Services, Carleton University, 1125 Colonel By Drive, Ottawa, Ontario, K1S 5B6, tel: 613-520-2517 or e-mail: ethics@carleton.ca.

I agree to participate in this study.

YES NO

I agree to have my interview audio recorded.

YES NO

I agree to the use of anonymous quotations in any thesis or publication that comes of this research.

YES NO

Participant Name: _____ (Please print)

Participant Signature: _____

Witness Name: _____ (Please print)

Witness Signature: _____

Date: _____

APPENDIX C: OVERVIEW OF ORGANIZATIONS IN RECEIPT OF CONDITIONAL GRANTS (IN EXCESS OF \$10 MILLION) BY DEPARTMENT

AGRICULTURE AND AGRI-FOOD CANADA

1. Canada Pork International (CPI)*

On June 22, 2009 the Government of Canada provided an up-front multi-year payment of \$17 million to Canada Pork International. The grant expires September 30, 2013. The funding is intended to support the marketing and export development of Canadian pork products.

Canada Pork International was established in 1991 and is the export promotion agency of the Canadian pork industry. It is a joint initiative of the Canadian Meat Council and of the Canadian Pork Council. Its membership includes nearly all Canadian pork packing and trading companies (IC, 2010, Nov. 11).

2. Canadian Agri-Food Policy Institute

On December 14, 2006 the Government of Canada provided a \$15 million conditional grant to the Canadian Agri-Food Policy Institute (CAPI). The grant expires March 31, 2022.

The Canadian Agri-Food Policy Institute is an independent not-for-profit organization with a mandate to encourage independent policy on the mid- to long-term challenges facing the Canadian agriculture and agri-food industry. Agriculture and Agri-Food Canada, is an ex-officio member of the CAPI Board of Directors. According to its website, “The Canadian Agri-Food Policy Institute (CAPI) is an independent, non-

partisan policy forum. Established as a not-for-profit corporation in 2004 by the federal government (Canadian Agri-Food Policy Institute).

The Canadian Agri-Food Policy Institute (CAPI) is overseen by a Board of Directors with broad expertise in the agriculture and agri-food sector. Its Board does not include federal or provincial government representatives.

CANADIAN HERITAGE

3. Canadian Institute for Research on Linguistic Minorities

The Canadian Institute for Research on Linguistic Minorities (CIRLM) is an independent non-profit organization established in 2002 through a \$10 million endowment in perpetuity provided by the government of Canada in March 2002.

The Institute has a mission to conduct research on Canada's Anglophone and Francophone linguistic minorities with the objective of increasing their vitality. The Institute's activities include research, research promotion, networking, and knowledge dissemination. The Institute's 2008-09 Annual Report indicates that the Foundation obtained approximately \$900,000 in contributions and research contracts in addition to the approximately \$500,000 it earned in interest income, suggesting it successfully leveraged the federal investment (CIRLM, 2009).

4. National Aboriginal Achievement Foundation (NAAF)

Established in 1985, the National Aboriginal Achievement Foundation (NAAF) is a not-for-profit organization that promotes the professional development and education of Aboriginal peoples through awards that recognize and promote achievement and bursary and scholarship awards.

The Government of Canada has provided NAAF with a total of \$22M in funding through conditional grants. In December 2003, Canadian Heritage provided NAAF with a \$12M endowment for the establishment of an Aboriginal Post-Secondary Scholarship Program. An additional endowment of \$10M was approved in March 2007. The Government funding is intended to provide perpetual annual financial support and is held in a separate Government of Canada Trust Fund with separate investment guidelines. Investment revenues of the endowment are used to award scholarships and bursaries to Aboriginal post-secondary students across Canada (NAAF, 2009, p. 7).

NAAF collects significant funding from corporate and government sponsors. Since its inception, NAAF has delivered \$37-million in scholarships and bursaries.

5. Trans Canada Trail Foundation

In December 2003, the Department of Canadian Heritage provided \$15 million to the Trans Canada Trail, an initiative to establish a national recreational trail that runs through every Canadian province and territory, linking hundreds of communities. The federal grant is used: to administer a program of grants to community-based groups in support of trail-building capital projects (which leverage additional support from other sources); to provide planning and coordinate development of the Trail; and to establish Trail Pavilions and signage along the route (Dept. of Canadian Heritage, 2011).

The Trans Canada Trail Foundation was launched in 1994 using seed funding provided by the Canada 125 Corporation, an organization that, in turn, was established by the federal government to lead the celebration of Canada's 125th birthday. The federal funding was scheduled to expire in March 2010 but Canadian Heritage extended the grant

for the 2010-11 fiscal year, enabling the Trail organization to carry forward the \$2.5 million remaining from the initial grant amount (Trans Canada Trail).

6. Grant to the 2010 Games Operating Trust

In 2004-2005 the Government of Canada provided a \$55M perpetual endowment to the 2010 Games Operating Trust. The funding to the Trust, which was matched by the Government of British Columbia, was part of the federal government's commitments under a multi-party agreement for hosting the Games. The funding was specifically earmarked for the Legacy Endowment Fund, which supports the maintenance and operating expenses of certain 2010 Winter Games sporting venues (the Richmond Oval, Whistler Olympic Park and the Whistler Sliding Centre) and not-for-profit organizations involved in high-performance amateur sport.

The Trust was established in 2004 by the 2010 Olympic Games organizers other than Canada. The Trustee of the Trust is the 2010 Games Operating Trust Society and is governed by a Board of Directors consisting of eight members appointed from each of Canada, British Columbia, the Canadian Olympic Committee, the Canadian Paralympic Committee, the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC), the City of Vancouver, the City of Richmond, and the Resort Municipality of Whistler (Canada Newswire).

CITIZENSHIP AND IMMIGRATION CANADA

7. Global Centre for Pluralism (GCP)

On October 25, 2006, the Government of Canada signed a funding agreement committing \$30 million in perpetuity to the endowment fund of the Global Centre for

Pluralism. The Centre will promote pluralism as a foundation for governance, peace and human development at the international level through policy research and knowledge transfer. In addition to the federal commitment, the Aga Khan has committed to contribute \$30 million to the Centre and to seek additional support from potential international partners for projects and programs.

The Global Centre for Pluralism is a non-profit organization incorporated on March 8, 2004. Its Board of Directors is appointed by the Members of the Corporation with His Highness the Aga Khan as Chairman of the Board. Of the 11 remaining Directors, seven must be Canadian citizens. The Members of the Corporation include: The Ismaili Imamat, the Aga Khan Trust for Culture, the Aga Khan Foundation Canada, The Government of Canada (2 representatives), the Association of Universities and Colleges of Canada, and the International Development Research Centre (Global Centre for Pluralism).

The *2008-09 Report on Plan and Priorities* noted that the Centre's first Board of Directors and Secretary General would be appointed in 2008 and the *2010-11 Report on Plan and Priorities* noted that the Board would establish its mandated standing committees in 2010, suggesting an extremely slow roll-out of the Centre from the time that Government of Canada funding was committed.

8. Ukrainian Canadian Foundation of Taras Shevchenko

On May 9, 2008 the Government of Canada signed a funding agreement providing a one-time conditional grant of \$10 million to the Ukrainian Canadian Foundation of Taras Shevchenko. The grant is scheduled to expire in May 2023. The conditional grant provided by the Government of Canada was provided for the

establishment and management of an endowment fund, known as the Canadian First World War Internment Recognition Fund (the Fund) for all communities affected by the internment of Ukrainian Canadians during the First World War.

The Ukrainian Canadian Foundation of Taras Shevchenko was incorporated by an Act of Parliament on July 22, 1963. The Foundation seeks to preserve and promote the Ukrainian Canadian cultural heritage and the advancement of a flourishing Ukrainian community for the enrichment of Canada.

DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE

9. Asia Pacific Foundation of Canada

On March 31, 2005, the Government of Canada committed \$50 million to the Asia Pacific Foundation of Canada. The Asia Pacific Foundation of Canada is an independent, not-for-profit think-tank which was created by an Act of Parliament in 1984. The perpetual endowment provides core funding to support the Foundation's mandate to support policy research and informed discussion on Canada's relations with Asia.

The affairs of the Foundation are managed by a Board of Directors. The Foundation's Board consists of a Chairperson and up to six other directors appointed by the Governor in Council; up to 18 additional directors appointed by the Board after consultation with provincial governments and other interested outside parties; and the President of the Foundation.

10. Centre for International Governance Innovation (CIGI)

On January 30, 2003, the Government of Canada committed \$30 million to the Centre for International Governance Innovation (CIGI). CIGI was founded in 2002 and supports research and networks in the area of global governance. The federal funding was announced in July 2002, prior to the Centre's opening and was matched by an equivalent contribution from Jim Balsillie, the Centre's founder. At the time the Minister of Finance noted that support for the Centre corresponded to the Government's Speech from the Throne commitment to strengthen international governance. The Deputy Ministers of the Canadian government's Department of Finance and the Department of Foreign Affairs and International Trade (DFAIT) each designate an ex-officio director to sit on CIGI's Board of Directors.

11. Forum of Federations

In fiscal year 2000-01, the Government provided the Forum of Federations with a conditional grant of \$10 million to be drawn down over ten years.⁶¹ On April 1, 2005, the Government of Canada committed an additional \$20 million to the Forum of Federations in the form of a conditional grant which expires March 31, 2011. The *2010-11 Report on Plans and Priorities* notes that the drawdown nature of the grant anticipates an increase in funding from other partners that will reduce Canada's financial commitment.

The Forum is a non-profit organization created in 1998. The grant is intended to support the Forum's efforts to promote programs of mutual cooperation and assume an

⁶¹The Grant is not included in any of the departmental *Reports on Plans and Priorities* but is included in the 2004 Formative Evaluation of the Forum of Federations. Retrieved July 22, 2010 from http://www.international.gc.ca/about-a_propos/assets/pdfs/evaluation/evalforumfederations04-en.pdf.

international leadership role on work related to governance and federal political systems. The grant also covers Canada's annual \$50,000 contribution as a member of the Forum's Strategic Council, an advisory body to the Forum's Board of Directors consisting of partner governments that have signed a framework arrangement with the Forum.

ENVIRONMENT CANADA

12. Canadian Foundation for Climate and Atmospheric Sciences

The Canadian Foundation for Climate and Atmospheric Sciences (CFCAS) was incorporated as a non-profit corporation in February 2000 by the Canadian Meteorological and Oceanographic Society (CMOS), a small, learned society composed primarily of university and government scientists.

CFCAS has received a total of \$110 million in conditional grant funding from the Government of Canada. In April 2000, CFCAS received \$60 million in federal funding for a six-year period from Environment Canada. In 2003, an additional \$50 million was provided and the funding was extended to 2010. CFCAS supports and disseminates climate research. The CMOS appoints 9 of the 12 members of the Board of Trustees; the three others are nominated by the federal government, excluding the chair. The society is responsible for ensuring that the foundation meets the accountability requirements of the funding agreement with the federal government (OAG, 2002, Insert 1.1).

The Foundation sought an additional \$25 million in annual funding in Budget 2010 but did not receive any new funds. Although its mandate had previously been extended until 2012, its funds were already fully committed at the time (Canadian Press).

13. Sustainable Development Technology Canada (SDTC)

The 2000 federal Budget announced funding for Sustainable Development Technology Canada (SDTC). SDTC was incorporated as a non-profit in March 2001 with a mandate to encourage the development and demonstration of sustainable technologies, including through enhancing the capacity of Canadian sustainable development entrepreneurs. Following the passage of legislation in June 2001, the corporation continued as the Canada Foundation for Sustainable Development Technology.

Initial federal funding of \$100 million was provided to SDTC in April 2001 although the grant was recorded in the Government's accounts in fiscal year 2000-01 (OAG, 2001a). Additional grants were provided in Budget 2003 (\$250M) and Budget 2004 (\$200M) for a total of \$550 million in funding. These grants were provided to the SD Tech Fund, which expires in June 2015. The funding is provided and administered jointly by Environment Canada and Natural Resources Canada. The *2010-11 Report on Plans and Priorities* noted that, as of June 2009, the Tech Fund had invested \$425 million and leveraged approximately \$1 billion in additional contributions, the majority of which were from private sources.

The federal government appoints 7 of the 15 members of the Board of Directors, including the chair. A revised funding agreement between the Government and SDTC, signed in March 2005, prevented SDTC from making any decisions at Board meetings where Government appointees composed a majority of the Board Members present (OAG, 2006).

In September 2007, the Government announced that it was providing SDTC with an additional \$500 million for "The NextGen Biofuels Fund". While the total funding was announced in 2007, funding for the NextGen Biofuels Fund was provided as a mix of \$200M in statutory funds to be requested as required and an additional \$300M to be appropriated by Parliament over the period of 2008/09 to 2014/15.

**14. The Federation of Canadian Municipalities' Green Municipal Funds (GMF);
The Green Municipal Enabling Fund; The Green Municipal Investment Fund**

In April 2000, the Government of Canada provided the Green Municipal Enabling Fund and the Green Municipal Investment Fund with \$25 million and \$100 million, respectively. The December 2001 Budget committed an additional \$125 million to the two funds in the same proportions. The Funds were co-sponsored by Environment Canada and Natural Resources Canada.

The two funds and their successor, the Green Municipal Fund (GMF) are administered by the Federation of Canadian Municipalities (FCM). The FCM is a non-profit corporation comprising 1,000 municipal members and 18 provincial and territorial associations. The FCM Board of Directors, formally designated as the decision-making body for the funds, is advised by a 15-member council regarding the provisions of the federal Funding Agreement, eligible projects, and GMF investment priorities, among other things. The Council members are appointed by the FCM and include representatives from the federal government, public and private sectors, and elected officials of Canadian municipalities.

The Enabling Fund supported feasibility studies to help communities assess environmental projects while the Investment Fund helped municipal governments to

leverage investments in environmental projects and to provide grants, loans, and loan guarantees to eligible recipients. The Enabling Fund was initially to last 5 years and was extended to 2007 with the second installment of funds.

Three hundred million dollars in additional funding was provided to the GMF in fiscal year 2004-2005. With this installment, the Enabling and Investment Funds were merged into one fund known as the Green Municipal Fund (GMF), combining the existing balances and the new \$300 million into a single fund with a total balance of \$550 million (Natural Resources Canada). At this point, the funding was transformed to funding in perpetuity with the FCM spending only the interest. The GMF supports grants, loans and loan guarantees that support investments in environmental municipal infrastructure.

15. Clayoquot Biosphere Trust

In February 2000, the federal government committed \$12 million to a perpetual endowment fund managed by the multi-stakeholder Clayoquot Biosphere Trust. The Trust supports research, education and training to promote sustainable economic development in Vancouver Island's Clayoquot Sound region, which was designated a UNESCO Biosphere Reserve in May 2000. The objectives of the federal grant include leveraging non-federal government financial support.

The Clayoquot Biosphere Trust is a federally registered, British Columbia incorporated, non-profit organization incorporated in 2000. The CBT has a Board of Directors comprised of representatives from local First Nations and communities.

FISHERIES AND OCEANS CANADA

16. Atlantic Salmon Conservation Foundation

In January 2007⁶², the Government of Canada provided a \$30 million endowment in perpetuity to the Atlantic Salmon Conservation Foundation in the form of the Atlantic Salmon Endowment Fund. The Fund is a one-time conditional grant intended to provide long-term funding for the operation of the Atlantic Salmon Conservation Foundation. The Foundation will use the Fund to assist community groups in the restoration, protection and improved conservation of the Atlantic salmon resource in Atlantic Canada and Quebec.

Atlantic Salmon Conservation Foundation is a volunteer, non-profit, charitable organization established as a non-profit organization incorporated under the *Canada Corporations Act* in February 2007 with a nine member volunteer Board of Directors. The Government of Canada announcement of the Fund noted that it was similar to the one created on the West Coast in 2001 (the Pacific Salmon Foundation) and that such funds are highly leveraged through the work of volunteer and community groups (Fisheries and Oceans Canada).

17. Nature Conservancy of Canada

On April 1, 2007, the Government of Canada provided the Nature Conservancy of Canada (NCC) with a one-time conditional grant in perpetuity of \$225 million to support the Natural Areas Conservation Program, the objective of which is to acquire and

⁶² The 2008-09 Report on Plans and Priorities of the Department of Fisheries and Oceans reports the start date of the agreement as January 18, 2007.

preserve 200,000 hectares of ecologically sensitive land of national or provincial ecological significance.

The Nature Conservancy of Canada was established by letters patent in November 1962. The organization is governed by a National Board with support from seven Regional Boards. Each Regional Board Chair is a member of the National Board.

18. Pacific Salmon Foundation

On February 16, 2001, the Minister of Fisheries and Oceans announced the creation of a \$30 million Pacific Salmon Endowment Fund. The Fund was created through a conditional grant in perpetuity with the purpose of conserving and rebuilding salmon stocks in British Columbia and the Yukon.

A non-profit society, the Pacific Salmon Endowment Fund Society, was established in 2000 to act as the custodian of the endowment and to set program priorities. The Society appointed the Pacific Salmon Foundation as the program manager responsible for managing the funding applications, project review and selection, allocation of funds, and monitoring and evaluating projects. The Pacific Salmon Foundation (PSF) was founded as a non-profit charity in 1989.

HEALTH CANADA

19. Canadian Health Services Research Foundation (CHSRF)

In 1996, the federal budget announced \$65 million in funding for the establishment of a health services research fund. The Foundation was created through the assistance of the Canadian College of Health Service Executives (CCHSE), which, in

December 1996, transformed its own foundation into the Canadian Health Services Research Foundation (CHSRF, History).

CHSRF has received a total of \$151.5 million in conditional grant funding from the Government of Canada through three different installments. The initial endowment, which was ultimately \$66.5 million, was provided to the CHSRF in installments over five years to support health services research and the promotion in best practices of health services delivery. In 1999, another \$60 million was granted to CHSRF through two specific purpose allotments: \$25 million for a Nursing Research Fund to develop capacity for research on nursing recruitment, retention, management, and leadership; and \$35 million to support the CHSRF's participation in the Canadian Institutes of Health Research. In 2003, further funding of \$25 million was provided for the Executive Training for Research Application (EXTRA) program, a professional development program to for health services professionals (CHSRF, 2007, p.2). Interestingly, the duration of the grant was not specified for either the initial funding for CHSRF or the 1999 funding for CHSRF's participation in the Canadian Institutes of Health Research. In comparison, the Nursing Research Fund was provided for a duration of ten years and the EXTRA program for a duration of 13 years (Health Canada, 2008).

The federal deputy minister of health is an ex-officio member of the board of trustees of CHSRF (Health Canada, 2008). Trustees oversee the Foundation's endowment fund and set policies and program directions for the organization.

20. Canada Health Infoway Inc.

The *Canada Health Care, Early Childhood Development and Other Social Services Funding Act*, which received Royal Assent in October 2000, empowered the Minister of Finance “to make a direct payment of \$500 million for the fiscal year beginning on April 1, 2000 to a corporation, to be named by order of the Governor in Council on the recommendation of the Minister of Health.” The funding was intended to accelerate the development and adoption of modern systems of information technology in Canada’s health system.

On January 22, 2001, Canada Health Infoway Inc. (Infoway), an independent not-for profit shared governance corporation at arm’s length from government, was incorporated by Letters Patent under Part II of the *Canada Corporations Act* (BMB, p. i). Infoway works with the provinces and territories, including health ministries, regional authorities, and other health care organizations to identify technological solutions to improve Canada’s health care system.

The governance of Infoway consists of a Board of Directors and Members. The Deputy Ministers of Health in Canada’s federal, provincial and territorial jurisdictions are the 14 Members of *Infoway*. The Members elect six directors at large to the Board of Directors. The remaining seven directors are composed of two federal appointees and five provincial or territorial appointees. The Board of Directors appoints the President and Chief Executive Officer (OAG, 2009, p. 11).

Overall, Infoway has been the recipient of five investments totaling \$2.1 billion. In addition to the initial \$500 million provided in March, 2001, the February 2003 Budget provided \$600 million, followed by \$100 million in March 2004, \$400 million in the

2007 Budget, and \$500 million in the 2009 Budget. The first three allocations (totalling \$1.2B) were provided as lump sums. Although an end date for these agreements was not specified, Infoway is in the process of spending both the principle and the interest and has essentially committed the full amount. The 2007 allocation (\$400M) only flows to Infoway on an as-needed basis. The duration of the 2007 funding agreement is the later of the date all funding has been expended; or March 31, 2012. Interestingly, provision of the 2009 funding to Infoway was delayed pending what the Department of Finance described as "due diligence" into the project; however, the 2010 Budget announced that Ottawa would proceed with the funding to Infoway which had developed an action plan to strengthen accountability in response to the Auditor General of Canada's Report of November 2009.

21. Canadian Institute for Health Information

Established jointly by federal and provincial/territorial ministers of health to coordinate the development and maintenance of an integrated approach to health information for Canada, the Canadian Institute for Health Information (CIHI) was federally chartered under the *Canada Corporations Act* and launched its operations in 1994.

From 1999 to 2005, the federal government provided funding to CIHI through a series of grants known as the Roadmap Initiative that total approximately \$260 million. The first installment, Roadmap I, was provided on March 31, 1999 (fiscal year 1998-99) and was to be spent over four years. This was followed on March 31, 2002 and April 1, 2002 by Roadmap II and II+, in the amounts of \$95 million and \$70 million respectively,

which were each to be spent over 5 years. Roadmap III, provided on April 1, 2005, provided a further \$110 million over five years.

Beginning in 2007-08, funding to CIHI is provided under the Health Information Initiative which replaced the previous Roadmap II, II Plus, III funding and also provides additional funds for new initiatives. Under this initiative, up to \$406.49 million will be delivered to CIHI over five years (2007-08 to 2011-12) (TBS, 2008a).

CIHI has a 15-member Board of Directors of which one director is selected from a list of names provided by Health Canada and another is selected from a list of names provided by Statistics Canada.

22. Mental Health Commission of Canada -- Conditional Grant to support Research Demonstration Projects in Mental Health and Homelessness

The Government of Canada announced funding for and the creation of the Mental Health Commission of Canada in its March 2007 Budget following on the May 2006 recommendations of the Standing Senate Committee on Social Affairs, Science and Technology. The Commission was incorporated as a non-profit corporation in March 2007. The Board of Directors of the Commission is comprised of 11 non-government directors and six government-appointed directors (Mental Health).

In April 2008, the Government of Canada provided a \$110 million, five-year conditional grant to the Mental Health Commission of Canada. The funding was provided to support five research demonstration projects in mental health and homelessness. The projects are to be conducted over five years ending in March 2013.

23. Conditional Grant to the Rick Hansen Man in Motion Foundation

On April 1, 2007, the Government of Canada provided a grant of \$30 million to the Rick Hansen Man in Motion Foundation. The funding, which expires March 31, 2012, will be provided over five years for the Spinal Cord Injury Translational Research Network (SCI-TRN) established by the Rick Hansen Foundation.

The Rick Hansen Man in Motion Foundation (RHF) is an independent, not-for-profit organization founded by Rick Hansen in 1988 to create solutions to improve the lives of Canadians with spinal cord injury (SCI) and to drive advances in SCI research. The SCI-TRN is specifically aimed at the creation of a national research network focused on both research to reduce permanent paralysis from spinal cord injuries and to improve the lives of Canadians with spinal cord injury.

HUMAN RESOURCES AND SKILLS DEVELOPMENT

24. Canadian Council on Learning

The Canadian Council on Learning (CCL) was funded through an \$85 million federal investment provided in March 2004 and to be spent over five years.⁶³ The Canadian Council on Learning (CCL) is an arm's-length, not-for-profit organization with a mandate to: promote knowledge and information exchange among learning partners; inform Canadians regularly of Canada's progress in learning; and address knowledge gaps and provide evidence-based information to improve investments along the full span of lifelong learning on a pan-Canadian basis.

⁶³ The grant was extended for an additional year, to March 2010, although no additional funding was provided.

The CCL was incorporated under the *Canada Corporations Act* on December 11, 2003. The organization is governed by, and accountable to, a 12-member Board of Directors. Three founding directors were appointed at the time of incorporation⁶⁴. These founding Directors identified and appointed nine other board members.

25. Frontier College Learning Foundation

Frontier College Foundation (formerly Frontier College Learning Foundation) was created in 1987 to raise funds and manage invested assets to support the operations of Frontier College, a national literacy organization. On March 31, 2000, the Government of Canada, through Human Resources and Skills Development Canada, provided \$12 million over five years, to March, 2005, to the Foundation. The endowment was intended to increase Frontier College's literacy programming across Canada.

26. Canada Millennium Scholarship Foundation

In the February 24, 1998 Budget, the Government announced its intention to create the Canada Millennium Scholarship Foundation and provide it with endowment funding of \$2.5 billion to be spent over ten years, starting in the year 2000.⁶⁵ The Foundation was created through legislation that was contained in the 1998 *Budget Implementation Act* and was intended to increase access to post-secondary education through the provision of scholarships to students in financial need who demonstrated merit.

⁶⁴ The three founding directors of the CCL were Robert Giroux, Milton Wong and Ben Levin.

⁶⁵ The Foundation was only officially created in June 1998 with the passing of the Budget Implementation Act. And funding flowed to the Foundation shortly after; however, the Government recorded the expenditure in the 1997-98 fiscal year (OAG, 1998a).

In accordance with the Act establishing the Foundation, the Government appointed the first six members, who in turn appointed the next nine members. These 15 members then appointed nine directors while the Government named six other directors, including the Chairman of the Board. Foundation members play the role of trustees or shareholders, while the directors assume the responsibilities normally associated with membership of a board of directors.

In its 2008 budget, the Government announced that it would not renew the Canada Millennium Scholarship Foundation after its initial mandate ended. The Foundation's ability to make awards to students expired in January 2010. The Canada Student Loans Program of HRSD will administer outstanding payments under the former CMSF's Excellence Awards from January 1, 2010 to December 31, 2013.

INDIAN AND NORTHERN AFFAIRS CANADA

27. Aboriginal Healing Foundation (AHF)

On January 7, 1998, the federal government responded to the Royal Commission on Aboriginal People by issuing a Statement of Reconciliation and a strategy to begin the process of reconciliation. The strategy included a \$350-million healing fund to help heal the legacy of residential school abuse. On March 31, 1998, the Aboriginal-run, not-for-profit, Aboriginal Healing Foundation (AHF) was created to manage the fund. The Foundation is managed by a 17 member Board of Directors that is independent of governments and the representative Aboriginal organizations. The Board Members are Aboriginal people from across Canada. An initial nine Members were appointed by the

Aboriginal political organizations and the federal government (seven and two, respectively). These nine selected eight more Directors (AHF, 2010, p. 6).

The Foundation was initially given an eleven-year mandate, ending March 31, 2009, to encourage and support, through research and funding contributions, community-based, Aboriginal directed, healing initiatives which address the legacy of physical and sexual abuse suffered in Canada's Indian Residential School System.

Overall, the Government has provided the Foundation with \$515 million in funding through three separate conditional grants. In addition to the initial \$350 million, \$40 million was provided in 2005 as well as \$125 million in 2007 as part of the Indian Residential Schools Settlement Agreement, which also extended the Foundation's mandate to March 2012. This additional funding was fully committed to supporting the 134 existing AHF healing projects through March 31, 2010 and 12 healing centres through March 31, 2012 (SCAAND, p. 2). With the absence of additional funding in Budget 2010, the AHF is expected to wind-down according to these timelines (CBC News, 2010, March 19). Total federal funding to the Foundation reached \$515 million (SCAAND, p. 2).

INDUSTRY CANADA

28. Canada Foundation for Innovation (CFI)

The Canada Foundation for Innovation (CFI) is an independent not-for profit corporation established through legislation. The CFI's mandate is to strengthen the capacity of Canadian universities, colleges, research hospitals, and non-profit research

institutions to carry out world-class research and technology development that benefits Canadians.

The CFI was initially funded through the federal budget of 1997, which also announced the federal government's intention to create the Foundation. The Budget announced an initial, up-front investment in the Foundation of \$800 million to be spent over five years. Funding was provided to the Foundation in July 1997.⁶⁶

Since the initial funding, the federal government has provided an additional \$4.11B in funding to the organization for a total of \$4.91B over 12 years. However, beginning in the 2007-08 fiscal year, the Government noted that it would account for the funds as they are disbursed by CFI to institutions. As a result, only \$3.65B was provided as conditional grants.

The initial \$800 million was followed by \$200 million in 1998-99, \$900 million in 1999-2000, \$1.25 billion in 2000-2001, and \$500 million in 2003-04. These initial installments were all provided to the CFI as fixed term endowments.

The next installment was Budget 2007 which provided \$510 million but which was only to be provided to the CFI as it was disbursed by the Foundation to organizations. Budget 2009 included an additional \$750 million for the CFI. Of this funding, \$150 million was targeted specifically to the 2009 Leading Edge and New Initiatives Funds Competition. The additional \$600 million provided in Budget 2009 was earmarked for future activities of the Foundation to be identified by the Minister of Industry in consultation with the Canada Foundation for Innovation (DoF, 2009, pp. 149-150). As a result of the changes in how the Government provides funding to the CFI, the

⁶⁶ The Government initially included the payment to the Foundation in 1996-97, but this was eventually restated to include it in the Public Accounts for 1997-98.

Foundation is not listed in the multi-year section of Industry Canada's 2010-11 RPP, however, the document does note that Industry Canada will be providing a contribution to the Foundation in the 2010-11 fiscal year (p. 27).

The CFI indicates that, since its creation in 1997, the Foundation has committed \$5.3 billion in support of 6,800 projects at 130 research institutions in 65 municipalities across Canada (CFI, Overview).

29. The Canadian Institute for Advanced Research (CIAR)

The Canadian Institute for Advanced Research (CIAR) is a not-for-profit corporation founded in 1982 to support networks of Canadian and international researchers conducting long-term research on scientific, social and economic issues. Through Industry Canada, the Government has provided CIAR with \$50 million in conditional grants. CIAR received a grant of \$25 million in March 2002 to fund its operations for the period from 2002–2003 to 2006–2007. In 2007-08, the Government announced it would provide the Canadian Institute for Advanced Research (CIFAR) with an additional \$25 million in funds over five years (IC, 2009), to December, 2012; however, this funding was provided in annual installments of \$5 million.

30. Canadian Youth Business Foundation

Canadian Youth Business Foundation (CYBF) is a non-profit, private sector organization created in 1996 to support and develop youth entrepreneurship. CYBF's Youth Business program provides loans and mentorship support to entrepreneurs between 18 and 34 years of age.

To date, the Government of Canada has provided a total of \$17.5 million in conditional grant funding to the CYBF. In March 2002, it provided a \$7.5-million grant to be used over four years. Budget 2005 provided an additional \$10 million in 2004–05 to the Canadian Youth Business Foundation to sustain its operations until the fall of 2009. A further \$10 million was provided to the CYBF in 2009-10 under the 2009 Economic Action Plan; however, this funding is shown as a contribution agreement in Industry Canada's 2010-11 *Report on Plans and Priorities*.

31. CANARIE

The Canadian Network for the Advancement of Research, Industry and Education Inc. (CANARIE) operates and develops Canada's ultra high-speed information network, which facilitates leading-edge research and science. CANARIE also supports the development of new tools and software that enable researchers to analyze and share large amounts of data.

In March 2002, through Industry Canada, the Government provided CANARIE with \$110 million to support CA*net-4, the fourth phase of the CANARIE network. This funding expired March 31, 2007. Further funding of \$120 million for CA*net-5 was provided in March 2007 for five years with an expiry of March 2012; however, this funding is being provided to CANARIE in annual installments.

CANARIE was created as a non-profit corporation in 1993. The CANARIE Board of Directors is composed of 12 leaders, with equal representation from Canadian industry and academic or research institutions.

32. Centres of Excellence in Commercialization and Research

- a) Brain Research Centre**
- b) Canada School of Energy and Environment**
- c) Heart and Stroke Foundation Centre for Stroke Recovery**
- d) Li Ka Shing Knowledge Institute**
- e) Life Sciences Research Institute**
- f) National Optics Institute**

In Budget 2007, the Government of Canada announced its intention to provide \$105 million to fund a network of seven centres of excellence focused on priority areas of research and commercialization. The Budget named the following centres: the Brain Research Centre at the University of British Columbia; the Canada School of Sustainable Energy; the Li Ka Shing Knowledge Institute; the Heart and Stroke Foundation Centre for Stroke Recovery; the Montreal Neurological Institute; the National Optics Institute; and the Life Science Research Institute in Halifax. The Budget indicated that the investment targeted areas where the Government believed Canada had the potential to be a world leader, such as energy, environmental technologies, information technologies, and health sciences. It also indicated a desire to invest in partnership with other levels of government and the private sector (p. 199).

The *2010-11 Report on Plans and Priorities* documents that funding agreements were signed in February or March 2008 for all the centres except the Montreal Neurological Institute at \$15 million each and expiring March 31, 2012.

33. Council of Canadian Academies

In July 2005, the Government of Canada provided the Council of Canadian Academies (CCA) with a conditional grant of \$30 million to be spent over 10 years.

The Council of Canadian Academies (CCA) is an arm's length, not-for-profit organization that was established to assess the state of scientific knowledge underpinning

key public policy issues. The funding entitles the government to five assessments per year.

The Council was incorporated under the *Canada Corporations Act* in 2002. The founding members of the CCA are the Royal Society of Canada, the Canadian Academy of Engineering and the Canadian Academy of Health Sciences. The funding agreement between the Council and Industry Canada requires that the Minister of Industry has the right to appoint a minority of the Board members while the three founding academies appoint the remainder (Papadopoulos, p. 48).

34. Genome Canada

Genome Canada is a not-for-profit organization established in February 2000. As noted on its website, Genome was given a mandate by the Government of Canada to develop and implement a national strategy for supporting large-scale genomics and proteomics research projects, for the benefit of all Canadians (Genome).

Since 2000, the Canadian federal government has invested \$840 million in Genome Canada. Genome received \$160 million in the February 2000 Budget, \$140 million in 2001-02, \$75 million in 2003-04, \$60 million in 2004-05, \$165 million in 2005-06, \$100 million in 2007-08 and \$140 million in 2008-09. The first \$600 million in funding was provided in the form of conditional grants of fixed duration, of which the 2004-05 grant expired in March 2010. The final \$240 million is being provided in annual installments over five years and is scheduled to expire in March 2013.

Genome Canada indicates that, in addition to the federal funding it has received, it has leveraged approximately \$900 million in partnered co-funding and interest earnings. This additional funding was secured through the development of collaborative

relationships and partnerships with the private, public and venture philanthropist organizations both in Canada and abroad to jointly finance large-scale genomics and proteomics research projects (Genome).

Genome Canada's Board of Directors is comprised of up to 16 individuals, drawn from the academic, private and public sector communities. The presidents of five major federal research agencies —the Canadian Institutes of Health Research, the Canada Foundation for Innovation, the National Research Council Canada, the Natural Sciences and Engineering Research Council of Canada, and the Social Sciences and Humanities Research Council of Canada — are ex-officio advisors to the Board of Directors.

35. Perimeter Institute

Budget 2007 provided the Perimeter Institute for Theoretical Physics with \$50 million to be spent over 5 years ending in March 2012. This funding is being provided to the Institute in annual installments. In committing funding to support the Institute's research, education and public outreach activities, the Budget noted the Institute's scientific merit, national reach and funding commitments from the private sector and the Government of Ontario (p. 199).

The Perimeter Institute, founded in 1999, is an independent, non-profit, scientific research and educational outreach organization that networks international scientists to expand knowledge in the field of theoretical physics. The corporation is governed by a volunteer Board of Directors drawn from the private sector and academic community.

36. Pierre Elliott Trudeau Foundation

On March 31, 2002, the Government of Canada provided the Pierre Elliott Trudeau Foundation with \$125 million dollars to enable the creation of a program of Canadian scholarships for advanced degrees in the humanities and to honour the former Prime Minister. Funding to the Foundation was provided in perpetuity.

In addition to the scholarships, the Trudeau Foundation supports research and the dissemination of research findings in the humanities and human sciences.

The Pierre Elliott Trudeau Foundation was incorporated on February 7, 2001 under Part II of the *Canada Corporations Act* by the family, friends, and colleagues of the former Prime Minister and began operations in March, 2002. The Foundation is governed by a 15 member independent and pan-Canadian Board of Directors.

37. Precarn Incorporated, Phase Four

Through Industry Canada the Government provided two grants of \$20 million to be spent over five years each to Precarn Incorporated for a total of \$40 million. The first grant was provided in the 1999-2000 fiscal year (GoC, p. 83) and the second in 2005-06. Precarn funding expired in March 2010. Additional funding was not provided in Budget 2010.

Precarn was federally incorporated in 1987 as a not-for-profit corporation. It acts as a consortium of firms, and research institutes that links government, industry, and academia to promote the development and use of intelligent systems (IS) technologies and expertise. The Precarn Board consists of eight Directors from the private sector and academia.

WESTERN ECONOMIC DIVERSIFICATION CANADA

38. Friends of the Canadian Museum for Human Rights Inc.

In February, 2004, Western Economic Diversification provided the organization Friends of the Canadian Museum for Human Rights with a conditional grant of \$27 million in perpetuity. The organization's objective is the establishment of a museum for human rights in Winnipeg, Canada.

The Friends group is a Canadian registered charity that was established in 2002 to act as the project proponent for the establishment of the Canadian Museum for Human Rights. Currently, the organization has secured more than \$160 million in capital funds from federal, provincial and city governments, and raised more than \$130 million in private sector donations (Friends).

In April, 2007, the Government announced that the Museum would be created as a national museum, operated as a Crown corporation by the Government of Canada and located in Winnipeg, Manitoba, Canada.

39. Primrose Lake Economic Development Corporation

In March 2007, the Government of Canada provided a one-time conditional grant of \$15 million to the Primrose Lake Economic Development Corporation. The funding was provided in perpetuity with the objective of supporting economic diversification in four Primrose Lake communities in Northern Saskatchewan. The fund recognized economic disruption that affected the communities from the Government's establishment of the Primrose Lake Air Weapons Range (PLAWR) bombing and gunnery range in the 1950's.

The funds were placed into a professionally managed trust fund account by the community-based, non-profit Primrose Lake Economic Development Corporation which will use revenues generated by the trust fund to support local economic development projects.

40. Prince Rupert Port Authority

In October 2005, the Government provided a grant of \$30 million to the Prince Rupert Port Authority for the development of a container terminal at Prince Rupert, British Columbia. The grant, which expired July 31, 2008, was fully disbursed in the 2006-2007 fiscal year.

The Prince Rupert Port Authority is responsible for the overall planning, development, marketing and management of the commercial port facilities within the Prince Rupert Harbour. It exists under the *Canada Marine Act*, and Letters Patent under the Act and is an autonomous agency governed by a local Board of Directors nominated by the Minister of Transport, the local municipality and the relevant province.

Notes:

*Implemented under the 2008 Transfer Payment Policy, effective October 1, 2008.

**Organizations are incorporated under the *Canada Corporations Act* unless specifically noted as being created through legislation.

APPENDIX D: THE PUBLIC INTEREST TEST QUESTIONS

Governance

- Does the new arrangement provide an appropriate decision-making role for ministers?
- Does the relationship with the proponent ensure appropriate links between policy and operations?
- Are the arrangements appropriate for reporting results and other relevant performance information to ministers, Parliament and citizens?
- Does the arrangement represent an appropriate balance between the flexibility required for high organizational performance and sound governance?

Official Language Requirements

- Have appropriate provisions been made for respecting Canada's official languages?

Results for Canadians

- Does the analysis of costs, risks and benefits provide a compelling business case for the initiative?
- Is the impact on service consistent with the needs, expectations and priorities of Canadians?
- Will the new arrangement increase organizational effectiveness?

Citizen-centred Service

- Does the relationship between co-deliverers ensure ease of access for Canadians to a wide range of government services?
- Will all those interested or potentially affected be informed of the initiative? Is a consultation process required? How will this be undertaken?
- Is there a communication plan to make sure that key stakeholders and citizens in general receive complete and timely information about proposed changes?
- Are measures in place to ensure continuous measurement and improvement of citizen and client satisfaction over time?
- Is there appropriate provision for access to information, preservation of government memory and the privacy of Canadian citizens?

Responsible Spending

Will a framework be in place to guarantee that Canadian citizens receive value for money and that accountability for the expenditure of public funds and responsibility to Parliament are preserved?

Values

Will the proposed arrangement promote values and an organizational culture that are consistent with public sector values and ethics?

Is there confidence that the expected organizational culture (including a framework of values and ethics) will materialise?

Have human resource issues been thoroughly considered, including public servant mobility, union considerations, successor rights, continued employment offers, recall rights (in the event that employees are terminated), compensation, and pension?

Will the initiative contribute to federal government identity and visibility?

What will the impact be on the Public Service of Canada as a coherent national institution?

Source: Treasury Board Secretariat (TBS). (2002). *Policy on Alternative Service Delivery-Archived*.

APPENDIX E: TREASURY BOARD SECRETARIAT DIRECTIVE ON TRANSFER PAYMENTS, 2008 (APPENDIX H)

Appendix H: Funding Agreement Provisions for Up-Front Multi-Year Funding

Departmental managers responsible for preparing funding agreements where up-front multi-year funding is provided are to ensure that the following elements are addressed in the funding agreement.

1. Identification of the parties.
2. A description of the purpose of the funding and the results to be achieved by the recipient. Expected results should be those within the reasonable control of the recipient and stated at a level of detail that will support accountability and performance measurement.
3. The effective date and duration of the funding agreement. The duration of the funding agreement is to be sufficient to allow the minister to exercise oversight and meet ministerial accountability requirements throughout the period over which results are to be achieved.
4. The amount payable under the funding agreement.
5. When funding is to be provided in a series of annual payments, provisions that indicate that payments shall be disbursed by the minister, on demand, in accordance with the cash flow requirements identified by the recipient, and that address the form and frequency of cash flow projections to be provided by the recipient to the minister.
6. A requirement that any payment under the funding agreement is subject to there being an appropriation by Parliament for the full amount and to any specific conditions arising from the legislation authorizing payment of the funding.
7. A description of the eligibility and entitlement criteria for further distribution of the funding, when appropriate.
8. Provisions that require the recipient to:
 - prepare and submit to the minister an annual summary corporate plan at least two months before the recipient's financial year begins. The annual summary corporate plan would include planned expenditures, objectives and performance expectations related to the funding;
 - prepare annual financial statements and have the financial statements audited annually by a public accountant licensed to perform audits and issue written opinions on financial statements;
 - submit to the minister, within four months of the recipient's financial year-end, relevant performance results with respect to the annual corporate plan and an annual report including audited financial statements;

- make its annual report and audited financial statements available to the public;
 - undertake independent evaluations, using recognized evaluation standards, of the achievement of the objectives of the funding agreement periodically but no less frequently than once every five years;
 - undertake performance and compliance audits relating to the use of the up-front multi-year funding, as considered necessary; and
 - provide copies of audit and evaluation reports to the responsible minister in a timely manner.
9. A provision for adequate recognition of the federal funding with an option for the minister to withdraw the requirement for recognition of the federal funding when the minister deems appropriate.
 10. A provision that sets out requirements for the prudent management and investment of unspent funding. When the funding agreement is to require that an investment plan is to be approved by, or on behalf of, a minister, the timing for the approval of such plan and the consequences of the minister's refusal to approve should be identified.
 11. Where appropriate, a provision establishing acceptable limits on the amount of funding that can be used to cover overhead and administrative expenses.
 12. A requirement that the recipient has or develops conflict of interest and code of conduct policies.
 13. A provision for the recipient to provide public access to information relating to the use of funding to the greatest extent possible.
 14. A provision that reflects the obligations of the parties with respect to privacy and personal information.
 15. Provisions regarding the right of the responsible minister to:
 - undertake evaluations and recipient audits as deemed necessary; and
 - table in Parliament, at the minister's discretion, a summary of the recipient's annual summary corporate plan as it relates to the funding agreement, the recipient's annual report and the results of audits and evaluations undertaken by the recipient or the minister.
 16. Provisions for the recipient to make records and information available to the Auditor General of Canada when requested by the Auditor General for the purposes of an inquiry under subsection 7.1(1) of the *Auditor General Act*.
 17. If the funding agreement enables the government or the responsible minister to appoint members to sit on the board of directors of the recipient organization, or on any advisory body, provisions that establish the number of such appointees and the manner and term of their appointment. The number of government or ministerial appointees should not be such that these appointees control the board in any manner.
 18. A provision that members of the Senate and the House of Commons are not and will not be appointed as directors on the board of the recipient organization.

19. A provision that indicates that the Government of Canada may be required to include the organization's financial affairs and resources in the government's financial statements. For the purpose of keeping the accounts of Canada and the preparation of the Public Accounts of Canada, the provision should indicate that the minister may, from time to time, send a notice to the recipient requesting such records, accounts or statements, or other information as is specified in the notice and that the recipient shall, within such reasonable time as is specified in the notice, provide the minister with the information requested.
20. A provision for intervention in the event the responsible minister considers there have been significant deviations from the terms of the funding agreement.
21. A provision for a dispute resolution mechanism.
22. Appropriate provisions on wind-up or dissolution of the recipient organization including, as one of the responsible minister's options, the minister's right to require the recipient to liquidate its assets and repay to the Government of Canada such amount as determined under the terms of the funding agreement.
23. In cases where the transfer payment may have an impact on members of either official language community:
 - a provision, where appropriate, outlining the manner in which the recipient's activities will support the Government of Canada's obligation to enhance the vitality of the official language minorities in Canada and support and assist their development and foster the full recognition and use of both English and French in Canadian society; and
 - a description, where appropriate, of how the services or benefits will be made available in both official languages in accordance with the *Official Languages Act*.
24. A provision that reflects any obligation of the government or the recipient with respect to the *Canadian Environmental Assessment Act*.
25. Any other condition or requirement that is appropriate to the transfer payment.