

Foreword



Report of the Commissioner of the Environment and Sustainable Development – 2000

Foreword

As Acting Commissioner of the Environment and Sustainable Development, I am pleased to present the 2000 Report for tabling in the House of Commons.

Much of this Report was prepared under the leadership of Brian Emmett, who became Vice-President of Policy at the Canadian International Development Agency on 31 January 2000. During his three and a half years as the first Commissioner, Brian made a major contribution to our understanding of the federal government's management of environmental and sustainable development issues. The team he built is committed to continuing the work he began, and the Auditor General is undertaking a national selection process in order to appoint a new Commissioner this summer.

This Foreword is followed by "The Commissioner's Observations – 2000" and the Main Points from all of this year's chapters. The Report also contains nine chapters, bound separately:

Managing for Sustainable Development

1. Implementing Sustainable Development Strategies: Year Two – Work in Progress
2. Greening Government Operations: When Will the Government Measure Up?
3. Government Support for Energy Investments

Smog

4. Smog: Our Health at Risk

Working Together

5. Partnerships for Sustainable Development: Overview
6. Working Together in the Federal Government
7. Co-operation Between Federal, Provincial and Territorial Governments
8. Working With the Private Sector

Follow-up

9. Follow-up of Previous Audits: More Action Needed

Main Points

Table of Contents

| | Page |
|--|-------------|
| Main Points | |
| Chapter | |
| Managing for Sustainable Development | |
| 1 Implementing Sustainable Development Strategies: Year Two – Work in Progress | 5 |
| 2 Greening Government Operations: When Will the Government Measure Up? | 6 |
| 3 Government Support for Energy Investments | 8 |
| Smog | |
| 4 Smog: Our Health at Risk | 10 |
| Working Together | |
| 5 Partnerships for Sustainable Development: Overview | 13 |
| 6 Working Together in the Federal Government | 14 |
| 7 Co-operation Between Federal, Provincial and Territorial Governments | 16 |
| 8 Working With the Private Sector | 17 |
| Follow-up | |
| 9 Follow-up of Previous Audits: More Action Needed | 18 |



Implementing Sustainable Development Strategies: Year Two

Work in Progress

Chapter 1 – Main Points

1.1 The information that most departments provided in their second annual progress reports on sustainable development strategies continued to fall well short of the information specified in the Treasury Board's Guideline for the Preparation of Departmental Performance Reports to Parliament. Thus, parliamentarians, Canadians and other stakeholders will find it difficult to judge whether the strategies are on track or whether corrective action is required. We expect that the quality of reporting will improve as departments adopt a more systematic approach to managing strategy implementation.

1.2 Overall, strategy implementation seems to be progressing. Based on our assessment of the information reported by departments in 1999, they met about 20 percent of the commitments set out in the sustainable development strategies, compared with 11 percent in 1998. Departments are also working on their management practices for implementing the strategies. Last year we reported that, on average, departments had established about one third of the management practices reflected in the ISO 14001 management standard, which is a benchmark of good practice. This year, on average, the six departments we examined were applying about half of those practices.

1.3 However, in four of the six departments, the management practices do not yet provide reasonable assurance that their strategies will be implemented consistently and achieve the intended results. We continue to believe that departments should establish and apply a management systems approach to support the implementation of their strategies.

Background and other observations

1.4 In 1997, 28 federal government departments and agencies tabled their first sustainable development strategies in the House of Commons. Since then, they have been working to implement their strategies. Departments are required to report annually to the House on their progress. This chapter provides the Commissioner's second annual assessment of that progress.

1.5 In his 1998 report, the Commissioner recommended that departments establish clear and measurable targets that they, parliamentarians and the public could use to judge whether or not the strategies are being implemented successfully. This year we reviewed the departments' revised targets to determine whether they had clearly stated the criterion or measure of success for each target and indicated an expected completion date. About 50 percent of the revised targets include a clearly stated criterion or measure of success and an expected completion date. Only 45 percent of departments included targets and performance indicators in their performance reports.

1.6 Last year we examined the management practices that six departments were following to implement their sustainable development strategies. As a benchmark of good practice, we used the ISO 14001 standard for environmental management systems. This year, using the same benchmark, we assessed the management practices of another six departments. In four of them we found significant gaps between their practices and the ISO standard. These four departments are still in the early stages of establishing a systematic approach to strategy implementation. They have not yet adopted a systematic approach to identifying their priorities, defining management expectations, assigning accountability for results at lower levels in the organization and identifying related training needs, or performing the self-assessments that would facilitate steady improvement.



Greening Government Operations

When Will the Government Measure Up?

Chapter 2 – Main Points

2.1 A decade of commitments to green government operations. Since 1990, the federal government has made commitments to Canadians that it would green its operations. Yet, a decade later, there is a lack of rudimentary information about government's vast operations, the costs of which are likely more than \$400 million annually for water, energy and waste disposal. We found that the government does not have complete and accurate data on the annual cost of running its buildings and on the environmental impacts of its operations. Given the magnitude of the dollars involved, we believe it is important that the government know its annual heating, lighting and water bills.

2.2 Parliament ought to be concerned. Departments embarked on the journey toward implementing an environmental performance measurement system in 1997, yet they are making uneven and slow progress. No department has fully implemented all the elements of the performance measurement framework. Parliament ought to be concerned about the current rate of implementation.

2.3 Canadians will not get a consolidated performance report in the foreseeable future. Given the way the government has chosen to manage its environmental agenda, Canadians will not be getting a consolidated performance report in the foreseeable future. We found very limited use of common performance indicators to measure and report on departmental progress in greening operations. There is also a lack of clear focus for developing common environmental reporting standards. Leadership is fragmented. No organization has been given the responsibility, or sees itself as the lead, for establishing a consistent, consolidated and coherent federal approach to reporting environmental performance.

Background and other observations

2.4 In the October 1999 Speech from the Throne, the government reiterated its commitment to greening operations and to making itself a model of environmental excellence. As the single largest business and employer in Canada, the federal government is in a position to lead by example. To be a model of environmental excellence, the government has to demonstrate to Parliament and Canadians that it has its own house in order. Parliament needs an overall picture of the results that have been achieved.

2.5 The government needs to take a systematic approach to greening its operations to effectively fulfil its stewardship responsibilities, contribute to sustainable development goals, ensure compliance with regulations, and meet international commitments. Full implementation of an environmental performance system will go a long way toward satisfying this need.

2.6 This audit is part of a long-term project that began three years ago. The objective of the audit this year was to provide Parliament with an assessment of the status of departmental progress in implementing environmental performance measurement for government operations. We expect that the results of this audit will assist departments in implementing environmental performance measurement for government operations and improve the information available to departmental decision makers and to Parliament.

Departments responded jointly through the Privy Council Office, indicating their support for the recommendations in the chapter. Interdepartmental discussion has begun on the appropriate accountability framework and action plan necessary to contribute to more uniform reporting of progress. Public Works and Government Services Canada, in its response, expressed its commitment to working with other departments to improve measures for greening tenant department operations in both Crown-owned and Crown-leased facilities.



Government Support for Energy Investments

Chapter 3 – Main Points

3.1 We undertook this study to give Parliament comprehensive information on the support provided by government for energy investments and to determine whether this support favours the non-renewable energy sector. We were particularly interested in support through the tax system because it is less transparent than direct support. We also wanted to explore reasons why energy from renewable sources, other than large-scale hydro-electric projects, makes up a small portion of Canada's energy mix. We sought to determine whether tax incentives are a major contributor to this situation.

3.2 Overall, we found that with a few exceptions, federal government support today for energy investments, including support through the tax system, does not particularly favour the non-renewable sector over the renewable sector. We also found that in the past, governments have intervened in energy markets for various reasons through direct spending, regulations and tax incentives. Most of the federal spending and tax incentives have been for non-renewable resources, the predominant source of energy in Canada.

3.3 All forms of energy are competing for investment dollars against many other investment opportunities. Investments with higher rates of return, established markets and good track records are the ones that attract investors. Most investors we surveyed find that many renewable energy investments do not currently have these features. As well, the payback period is often too long for investments in renewable energy and energy efficiency to make them the preferred choice.

3.4 The federal government stated in its 1996 Renewable Energy Strategy that it wants to increase investments in renewable energy. It has also said for many years that it wants Canadians to use energy more efficiently. Given the barriers we have identified, the federal government may wish to consider developing new strategies and approaches to accomplish its stated objectives for investments in renewable energy and energy efficiency.

Background and other observations

3.5 In December 1997, Canada and 160 other nations negotiated the Kyoto Protocol, an agreement on climate change to reduce emissions of six important greenhouse gases, including carbon dioxide. (The main source of human-induced greenhouse gas emissions in Canada is the production and consumption of fossil fuels, such as oil, natural gas and coal.) For its part, Canada committed to reducing its emissions to six percent below 1990 levels by 2008–2012. But Canada's emissions were already 13 percent above 1990 levels by 1997 and are expected to keep growing. Unless Canada takes new measures, Natural Resources Canada estimates that Canada will actually have to reduce emissions by at least 26 percent from their forecast levels to meet the Kyoto target.

3.6 For the purpose of this study, “non-renewable sources of energy” included oil, natural gas and coal (which are fossil fuels) and nuclear power. “Renewable sources of energy” included water (large-scale and small-scale hydro-electric projects), wind, the sun, the photovoltaic cell (energy produced by exposing to light two dissimilar materials), biomass (plant materials and animal waste), ethanol, geothermal power (heat energy produced in the earth), and waves or tides.

3.7 Governments have used the tax system to encourage exploration for and development of various sources of energy. Most of the federal tax provisions that exist today accelerate the write-off of an expense for tax

purposes. This means that the taxpayer reduces current taxes but pays higher taxes later. Accelerated write-offs are a benefit mainly because of the “time value” of money. Investors who can reduce current taxes are able to achieve a higher rate of return on their investment and have more cash for other investments.

3.8 An adequate rate of return on investment was the factor most frequently mentioned by our survey respondents in assessing the potential of an investment project. As the International Energy Agency pointed out, many renewable energy projects do not yet provide an adequate rate of return to make them a desirable investment. Three reasons for this are markets are difficult to enter, renewable energy products generally cost more than non-renewable ones, and payback periods are often longer.



Smog

Our Health at Risk

Chapter 4 – Main Points

Smog poses a serious threat to Canadians

4.1 Over the last decade, the federal government has stated repeatedly that Canada’s smog problem is a major public health issue and one that poses a serious threat to the environment. Its most significant impact is the adverse effects it has on the health of Canadians, particularly the most vulnerable members of society — the elderly, our children and those with heart disease and lung and other respiratory diseases. Even healthy adults are vulnerable to the adverse effects of smog.

4.2 The federal government estimates that air pollution can be linked to 5,000 premature deaths each year in 11 major Canadian cities. This is a relatively large number of deaths when compared with some of the other involuntary risks that Canadians face. In addition, a far larger number of Canadians experience less serious but more widespread impacts that can place a significant burden on our health care system. For example, exposure to smog can result in respiratory or other problems that can interfere with quality of life and physical performance. Other potential effects include increased use of medication, more visits to doctors or emergency rooms and even admissions to hospital.

4.3 Smog also affects Canada’s agricultural and forestry sectors. Millions of dollars are lost each year in the agricultural sector due to the impact of common air pollutants on crops.

4.4 In a 1999 survey conducted for Health Canada, 24 percent of Canadians identified air pollution as their provinces’ most serious environmental issue. In addition, 61 percent said they are “very concerned” about air quality problems. While many Canadians are aware that smog is bad for their health and their environment, there is a need to improve their understanding of the problem and what they can do about it.

No time for complacency

4.5 While there have been downward trends in some pollutants commonly found in outdoor air, trends now appear to be levelling off or even increasing. Past improvements in air quality are slowly being eroded by increased emissions as a result of greater consumption of energy.

4.6 The federal government has stated that current scientific knowledge presents compelling evidence of the need for urgent action on smog. Federal strategies on air pollution were originally based on the belief that there were lower limits at which the main pollutants in smog were safe. However, recent research has been unable to identify safe levels of ozone or particulate matter.

4.7 Environment Canada expects that air quality will continue to deteriorate unless governments, industry and individual Canadians make a concerted effort to reduce smog.

Starting out on the right foot — but failing to take the next steps

4.8 In 1990, the Canadian Council of Ministers of the Environment (CCME) endorsed a three-phase national plan to reduce levels of pollutants. The plan focussed on nitrogen oxides (NOx) and volatile organic compounds (VOC). Both of these lead to the formation of ozone, a major component of smog. The national plan’s objective was to “fully resolve” the ozone problems in Canada by 2005.

4.9 We believe that the 1990 NO_x/VOC Management Plan represented a major achievement by the federal, provincial and territorial governments and provided sound strategic direction for addressing Canada's smog problem.

4.10 However, after endorsing the Plan the partners never reached agreement on the details of a framework for implementing it. The Plan evolved over the past 10 years without many of the key elements of good management.

4.11 Environment ministers originally agreed to negotiate federal-provincial partnership agreements within one year, outlining who would do what by when. When no such agreements were prepared, the Plan was destined to fail. An appropriate accountability regime was never put in place to clarify the roles, responsibilities and expected performance of each level of government. As a consequence, it is not clear whom the public and Parliament can hold to account should the Plan fail.

4.12 Although the 1990 Plan was never implemented as originally envisioned, the federal government did most of what it had said it would do under the first of the Plan's three phases. However, the federal contribution to reducing emissions was expected to be modest compared with the size of the problem. Under the Plan, the efforts of others were supposed to achieve the bulk of emission reductions.

4.13 Environment Canada failed to provide the public and Parliament with meaningful, comprehensive and timely information about action on the promises made to Canadians in 1990 and on the results of national efforts. The lack of transparent information means that the public and Parliament cannot determine whether Canada is addressing its smog problem at a reasonable pace.

4.14 The federal government acknowledges that despite years of national effort, progress has been slower than planned and the original target date will likely not be met. Moreover, new pollution concerns must be addressed and levels of smog-causing pollutants significantly reduced. Environment Canada has commented publicly on the need for urgent high-priority action to address this chronic and stubborn problem.

Where to go from here?

4.15 No one level of government and no one industry can resolve the smog problem alone. There is no one solution; dealing with smog will require a long-term, concerted effort by all Canadians. Arrangements must be developed that will work in this difficult context. Canada will need strong leadership from the federal government to encourage co-operative action in all sectors of society.

4.16 As the federal leader in protecting Canada's air quality, Environment Canada has a responsibility that goes beyond its own smog-reduction activities and its co-ordination of federal activities. It is also responsible for facilitating federal/provincial/territorial collaboration and working with its partners to develop effective national strategies and plans.

4.17 The federal government has identified the importance of using a broad range of tools to reduce smog. For the most part, however, it has relied on the voluntary co-operation of others and has used regulatory instruments only selectively. It needs to develop a comprehensive federal approach that fully addresses the sources of smog-causing pollutants.

4.18 The approach used for federal/provincial/territorial collaboration has proved ineffective at achieving the results promised to Canadians under the 1990 Plan. It remains to be seen whether the new Canada-Wide Standards process under the 1998 Canada-Wide Accord on Environmental Harmonization will be more effective. Whether the new process will establish clear accountability for results and transparent information to the public and Parliament also remains to be seen.

Background and other observations

4.19 The smog problem is difficult and complex. Smog is made up of various pollutants from many different sources. It crosses borders and affects different people in different ways. Although smog is defined by its main components — ozone and particulate matter — the "basket" of pollutants that contribute to the formation of smog also includes nitrogen oxides, volatile organic compounds, sulphur dioxide and carbon monoxide.

4.20 The air pollutants that cause smog today are largely by-products of industrial activities and the burning of fossil fuels (oil, natural gas and coal). Many of the solutions to the smog problem will require Canadians to change the way they produce and use energy.

4.21 Environment Canada has taken the federal and national lead, and represents Canada at the international level. In Canada, however, no jurisdiction has sole authority to regulate or control all aspects of smog reduction. While the federal government works to reduce smog nationally, complementary efforts of the provinces, territories and municipalities have a major impact on the pace of progress.

4.22 To help assess progress in the future, the federal government needs to work with the provinces and territories to identify and prioritize the requirements of the national air pollutant monitoring network. As part of any future commitments, they need to determine their respective roles and responsibilities for maintaining and enhancing the network.

4.23 Ten years after the federal, provincial and territorial environment ministers identified smog as a serious threat to public health and the environment, their governments are still developing national strategies and plans for combating smog. They are considering new standards for ozone and particulate matter, but the proposed targets are far in the future.

4.24 While finding solutions to smog has often seemed beyond Canada's reach, there is cause for hope. Canada has taken action to reduce some of the components of smog and has had some success in improving air quality in general. Canadian governments and industry have demonstrated that they can tackle difficult problems of air pollution, and similar results should be possible with smog.

The response of Environment Canada is included in this chapter. The Department agrees that smog is an important public health concern that requires further action and sustained investment. It also agrees that sound management principles should be incorporated into future management arrangements under the Canada-Wide Standards for Particulate Matter and Ozone. Environment Canada is committed to providing meaningful and timely information on performance expectations and results.



Partnerships for Sustainable Development

Overview

Chapter 5 – Main Points

5.1 Some of the most pressing challenges facing governments today cut across departmental mandates and political jurisdictions. To address those challenges, governments look increasingly to partnering arrangements for policy development and program delivery.

5.2 Managing these working relationships — within governments, between governments and with other partners — has proved to be a particular challenge. For effective collaborative arrangements — where partners work together to meet common objectives — certain attributes are desirable. Credible reporting, effective accountability mechanisms, transparent processes and protection of the public interest are basic elements of a framework for those arrangements. Participants in such arrangements themselves identified five key success factors: clear and realistic objectives and expectations for results; shared or complementary goals; effective and committed individuals; clear benefits for participating organizations; and senior management interest, support and commitment.

5.3 To manage their working relationships effectively, departments need to take a broader view of what constitutes success, giving greater weight to accountability. It is not that people involved do not know how to develop and maintain working relationships and what is needed for accountability. Rather, the challenge is to turn knowledge into action. The Privy Council Office and the Treasury Board Secretariat have important roles to play in ensuring that the principles and elements of a good working relationship are understood and applied by departments.

Background and other observations

5.4 In areas of shared responsibility — like protecting the environment and promoting sustainable development — co-operation and co-ordination are essential to meeting common policy objectives. Even when not essential, they are desirable — partnerships can also improve program efficiency and effectiveness. Without co-operation and co-ordination, relevant expertise and viewpoints may not be appropriately integrated into decision making. Problems may not be well defined, priorities may not be well developed and policies may not be implemented.

5.5 This chapter — along with the following three chapters — looks at building and sustaining effective working relationships to protect the environment and promote sustainable development. Chapter 6 reports on working arrangements within the federal government, Chapter 7 on federal-provincial relationships and Chapter 8 on public-private partnerships. These chapters together present the results of 17 case studies of organizations working co-operatively to meet common objectives in areas like biotechnology, acid rain, forestry and mining.

A joint response by the Privy Council Office and the Treasury Board Secretariat is included in this chapter. They agree with our recommendation and note that initiatives are under way to strengthen horizontal policy development and issues-management capacity.



Working Together in the Federal Government

Chapter 6 – Main Points

6.1 Canada's unique approach to achieving sustainable development demands that federal departments work well with one another. They can use a variety of mechanisms, ranging from the creation of new organizations to cost-sharing agreements to voluntary networks for information exchange. Through six case studies, we examined the key factors affecting the success of such mechanisms.

6.2 We found that departments need to define clearly "who does what". Key problem areas include unclear objectives, poorly defined responsibilities, unclear accountability and weak dispute resolution. Critical success factors include managing the effects of participant turnover, ensuring that departments have the incentives to collaborate, and paying sufficient attention to the results of monitoring and evaluation to learn from past experience.

6.3 Good interdepartmental co-ordination is limited by departments' inability to compel other departments to act, except through persuasion and negotiation. The primary central agencies, the Privy Council Office and the Treasury Board Secretariat, may have a crucial role to play in achieving a "Government of Canada" perspective.

Background and other observations

6.4 The first case study we considered, the recently renewed Canadian Biotechnology Strategy, involves over 20 departments and agencies and the creation of a new secretariat. It was built on a successful consultation effort, but now faces issues of unclear roles and responsibilities, increased bureaucracy and administrative weaknesses. Concrete action plans and an evaluation plan have not yet been made public.

6.5 Natural Resources Canada and Indian and Northern Affairs Canada are promoting forestry-based economic opportunities for First Nations communities. Clear objectives and a flexible management structure have supported the program's success. For example, other organizations contributed \$21 million beyond initially planned levels. We identified the need for improved co-ordination with other departments and for better monitoring of results.

6.6 The federal government has committed to taking environmental concerns into account in its purchases of over \$14 billion annually in goods and services. A centrally co-ordinated approach is needed to ensure that this objective can be achieved at the best value for taxpayers. Despite repeated attempts to co-ordinate over the last decade, departmental policies are missing or inconsistent, efforts are being duplicated, and roles and responsibilities are not clear. We believe the Treasury Board Secretariat needs to play a central role in co-ordination.

6.7 Canada has played a key role in international negotiations to regulate the transboundary movement of living genetically modified organisms. An interdepartmental working group successfully prepared a negotiating position in the face of very high stakes, uncertain impacts, and conflicting perspectives. The departments went through a long and difficult process in which disputes were not always effectively resolved. In our view, the federal government needs to take a strategic approach to managing the tension between the trade and environmental agendas.

6.8 Led by Environment Canada, departments worked together and with other stakeholders to assess the aquatic effects of effluent from metal mines. Solid planning, a neutral secretariat, good dispute resolution and adequate resources helped ensure a successful outcome. This success was built on past experience with pulp and paper regulations.

6.9 In our last case study, we examined co-ordination among departments with respect to their sustainable development strategies. In the first round of strategies, departments did not adequately co-ordinate their content, shared commitments and consultation processes. The Interdepartmental Network on Sustainable Development Strategies is facilitating improved information exchange and co-ordination among departments for the second round. The effectiveness of the Network is limited, however, by its voluntary nature, unclear reporting relationships and high turnover of participants.

The departments' and agencies' responses to our recommendations are included in the chapter. They agree with the recommendations and describe actions to deal with some of them.



Co-operation Between Federal, Provincial and Territorial Governments

Chapter 7 – Main Points

7.1 The shared nature of environmental jurisdiction requires close co-operation between federal, provincial and territorial governments. Successful co-operation agreements depend on a mix of subjective and objective considerations. The case studies in this chapter demonstrate the importance of relationships where partners build and maintain trust between them. They show that leadership and commitment from all parties involved are essential as well as public and political support. Finally, they confirm that partners need the discipline to follow all the necessary steps during the life cycle of an agreement. The key to a successful co-operation agreement is meeting all or most of these conditions.

7.2 Before entering into an agreement, prospective partners need to be convinced that the issue is important and that a partnership is likely to be the best way of dealing with it. They need to recognize their respective jurisdictions and take into account the ability of their potential partners to deliver desired results. As well, they need to consult and involve all the organizations whose commitment is essential to achieving the agreement's objectives. If the partners do not meet these conditions, they could still reach an agreement but likely would not accomplish desired results.

7.3 In designing the agreement, accountability issues between the partners become important. Does the agreement specify clear, common or complementary objectives, time frames and expected results as well as clear roles and responsibilities? Are there appropriate provisions for co-ordinating, monitoring and reporting performance as well as evaluating and modifying the agreement, if necessary?

7.4 During the implementation of the agreement, partners have to keep their commitments. Each partner needs to produce an early action plan that defines clear roles and responsibilities within its own organization and that sets targets and time frames. Partners also need to integrate the agreement's objectives into their policies and operations. Finally, partners must co-ordinate activities, monitor results and submit timely and transparent progress reports.

7.5 Our case studies also provide examples of the “tight-loose” working relationship referred to in Chapter 5 of this Report. The relationship is one that is “tight” (or strict) on the results that partners have to achieve based on intergovernmental agreement and “loose” (or lenient) on the way they achieve them in the particular circumstances of each jurisdiction.

Background and other observations

7.6 The environment — and many other aspects of sustainable development — is a matter of shared jurisdiction between the federal and provincial governments. It is not specifically mentioned in the Constitution. Rather, both levels of government have constitutional powers over various matters that permit them to pass legislation to deal with environmental issues. In our previous reports, we recognized the complexity of managing within areas of shared jurisdiction.

7.7 This chapter presents five case studies involving federal, provincial and territorial governments working together on sustainable development issues: the Eastern Canada Acid Rain Program, the National Forest Strategy, the North American Waterfowl Management Plan, the Statement of Commitment to Complete Canada's Networks of Protected Areas, and the Greenhouse Gas Emission Reduction Trading Pilot.



Chapter 8 – Main Points

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

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

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

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

Background and other observations

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

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

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



Follow-Up of Previous Audits: More Action Needed

Chapter 9 – Main Points

9.1 The purpose of follow-up is to inform Parliament about actions that federal departments have taken to address previous observations and recommendations of the Auditor General and the Commissioner of the Environment and Sustainable Development. This follow-up chapter reports on the status of four separate audits.

9.2 We are not satisfied with the overall progress that federal departments have made in addressing the findings in Chapter 4 of the April 1997 Report of the Auditor General, Control of the Transboundary Movement of Hazardous Waste. Canada is still not in a position to know the extent to which it is fulfilling its international obligations to prevent illegal traffic of hazardous waste at the border and does not have an action plan to address significant gaps.

9.3 We are satisfied with the progress that departments have made in addressing the findings in Chapter 27 of the December 1997 Report of the Auditor General, Ozone Layer Protection: The Unfinished Journey. Environment Canada, the lead federal department, has shown strong commitment and leadership, internationally and domestically, in developing policies and programs aimed at eliminating or reducing ozone-depleting substances (ODS). Canada continues to meet its international phase-out and financial obligations and, with the provinces, maintains a national program for the recovery and recycling of ODS. Environment Canada needs to make further progress in enforcing the ODS regulations of the *Canadian Environmental Protection Act*, setting direction for federal departments, and planning for the future.

9.4 Environment Canada's enforcement program continues to be a cause of significant concern. We examined enforcement activities in the audits of the transboundary movement of hazardous waste and ozone layer protection. In our follow-up we found little or no improvement in many enforcement-related activities. Environment Canada provided us with conflicting data on inspection activities at the border.

9.5 With respect to Chapter 4 of the May 1998 Report of the Commissioner of the Environment and Sustainable Development, Canada's Biodiversity Clock Is Ticking, we are satisfied overall with the progress that departments have made. We recognize that the implementation of the Canadian Biodiversity Strategy is a complex task. Departments realize that there is still much work to be done at the federal and national levels to fully integrate biodiversity into their programs and policies.

9.6 We believe that the Canadian Environmental Assessment Agency has taken reasonable steps to address the findings directed to it in Chapter 6 of the Commissioner's 1998 Report. Overall, however, we are not satisfied with the progress made by departments in correcting the deficiencies noted.