

Theme Paper

Interaction in Federal Systems

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Abstract

This paper looks at the different ways in which institutions of government interact with each other in federations. The term “interaction”, has deliberately been chosen in preference to “inter-governmental” to acknowledge the expansion of the actors and groups involved in contemporary governance, and the blurring of boundaries between formal government institutions and those in the private or non-profit sector.

The subthemes deal, respectively, with the use of interaction to manage conflict and tension; the techniques and structures of interaction; and their implications for accountability and transparency. Three lateral logics that apply to all of them are: the *diversity* of federal systems, the *specificities of developing countries* and the significance of *contextual change* for interaction.

They explain the range of parties between whom interaction takes place, the purposes and varieties of interaction, and the resulting challenges. The diversity of federal systems makes each one unique in some ways. Nevertheless, for comparative analysis, they can usefully be grouped according to size; institutional design; and scale of diversity. Another key point of difference lies between presidential and parliamentary federal systems.

Focusing on the specifics of interaction in federal systems in developing countries, we find that many of them have adopted some institutions and techniques from older federations but have

adapted them, through innovations, to their own needs and circumstances.

Traditionally the concept of federalism involved relationships between central governments and federated units. Defined in legal-constitutional terms as different power distributions between the central government vis-à-vis the states and local governments, they typically limited relationships to those between governments, notably between various actors in the executive branch.

Interaction involves a greater degree of interdependence between spheres than the simple model of distribution of powers suggests. New challenges have given rise to shifting views about the role of government, created greater interlocking between levels of government, and accommodated public-private interdependence through shifts in policy boundaries. Interaction has to be effective for the purposes to be achieved. It has to be used appropriately, to support shared rule without undermining the potential of self-rule. Finally, it must meet appropriate standards for accountability and transparency.

1. Introduction

The subject matter of this theme is the different ways in which institutions of government work with each other and with others across jurisdictional boundaries. The term “interaction” has deliberately been chosen, both to emphasize the breadth of the topic and to ensure the neutrality of the theme across different types of federations. It may be noted in passing that, while the focus of the paper is on interaction in federal political systems, some of the modes of interaction are found in some unitary political systems as well. For example, both systems have somewhat similar responses to performance measurement requirements. Many of the dynamics that stem from social, economic and political changes in unitary systems are similar to the dynamics traditionally associated with federalism.

Interaction is one of four themes of the 4th International Conference on Federalism. This is the first International Conference to be held in a developing country and it thus offers an important opportunity to explore the experience of these countries with the

practical operation of federal political systems. Use of the term “interaction” instead of the traditional term “intergovernmental” acknowledges the expansion of the actors and groups involved in governance in the twenty-first century. The boundaries between formal government institutions and those in the private or non-profit sector have become increasingly blurred. As a result, the term “interaction” sets the stage for inclusion of a wide variety of players beyond the traditional groups defined by economic, legal and constitutional lenses.

At the turn of the twenty-first century both federal and non federal systems have confronted a range of developments related to governance. The demise of the Soviet Union and scepticism about the effectiveness of government action have led to an interest in making government more like the private sector market, to a degree that varies between countries. During this period, shared power not only refers to interactions between levels of government but to a range of private sector and civil society actors who are involved in the crafting of new policies as well as their implementation. Conversations about variations within a country are not limited to constitutional actors but to this broader set of players.

To talk about the concept of interaction in federal systems today, thus requires an acknowledgement of the role of elected officials from the legislative, executive and sometimes judicial institutions at both the national and subnational spheres. It also may involve administrators and officials at all levels, political parties, the private sector, and non government organizations within the country. For developing countries, players can also involve multinational organizations (such as the World Bank and the IMF) whose resources have brought them to the decision table.

The proliferation of players and the broadening of the concept of governance have also required federal countries to look beyond formal, legal and constitutionally defined methods of interaction to a range of informal modes of interaction. The issues that are before federal countries are extremely challenging and not amenable to simple solutions. At the same time, the citizens of these countries (and others) are making accountability demands, which put pressures on officials that are difficult to manage.

This consideration has played a major role in designing this theme. At the conference itself, the theme will be focused through three subthemes, relevant to developing and developed federations alike. The subthemes deal, respectively, with the use of interaction to manage conflict and tension; the techniques and structures of interaction; and accountability and transparency. Each subtheme will be the subject of a separate paper. The purpose of this paper is to explain the choice of these subthemes and to place them in a broader context, so as to assist the process of understanding and evaluating the experience of different federations.

The paper is organized as follows. It begins by identifying three cross-currents that apply across the entire theme. These are:

- The diversity of federal systems
- The distinctive position of developing countries
- The changing context for interaction

The next part examines and explains the concept of interaction itself, including the parties between whom interaction takes place. The remaining parts deal respectively with the purposes of interaction; the varieties of interaction; and the challenges presented by interaction. The three subthemes are, respectively, subsets of these and are briefly developed in this context.

2. Three Cross-Currents

Three common factors cut across all three subthemes, and can usefully be explored at the outset.

2.1 *Diversity of Federal Systems*

The first concerns the diversity of federal systems, which in turn affects the varieties of interaction and the extent to which experience can be shared across national boundaries.

Every federal system is unique. Nevertheless, for analytical purposes, they can usefully be grouped in different ways. One such grouping, which distinguishes developing and developed federations, has been mentioned already and is considered separately

below. Other groupings particularly relevant to the theme of interaction concern the size of the federation; its institutional design; and the diversity of its peoples.

Size can be measured in different ways: by reference to the numbers of federated units; the number of spheres of government involved in interactive processes; the geographical area over which the federation extends; the population numbers in the respective federal units and in the federation as a whole. Each of these is potentially relevant to the forms of interaction that occur and to the reliability of comparisons that are made. Today's technological age creates a different dynamic than earlier periods but, nonetheless, size continues to play a role because large jurisdictions have to deal with complexity. Thus, for example, in Russia, with a geographical size of 17 million square kilometres, physical meetings of officials, whether formal or informal, face greater challenges than in Austria, with a geographical size of 80,000 square kilometres. In an example of a different kind, the dynamics of interaction may be different in a state such as South Africa, where local government is formally recognized as a partner in cooperative government and is entitled to representation in the National Council of the Provinces and in states such as Canada, where local government is essentially a creation of the provinces and its involvement in formal interactive processes is contested.

One aspect of size with particular relevance to forms of interaction concerns the number of federated units. Multilateral arrangements, including regular multilateral meetings, are likely to be more practicable in federations with a relatively small number of units than in those with a large number. Thus, in Australia and Canada, with 6 states and 10 provinces respectively, multilateral arrangements are common. They are less so in India, with 28 states and Nigeria with 36, although there may be other explanations for such differences in practice as well.

The dynamics of interaction are also affected by significant discrepancies in the strength of the respective federated units, whether measured in terms of wealth, population size or political influence that is attributable to other factors (such as hosting the national capital). Differences of these kinds may feed into institu-

tional structures by, for example, entitling stronger units to greater representation in second chambers, as in Austria and Germany. They may have a variety of other effects as well, ranging from creating a source of tension in relations between governments to disturbing the equilibrium of intergovernmental negotiations. More positively, in many circumstances, stronger units also can play a leadership role.

The *design of the institutions of government* inevitably affects the design and operation of processes of interaction between governments in federations and the converse also is true.

One key point of difference lies between federal systems with a presidential form of government and those with a parliamentary system, particularly where the latter is coupled with a disciplined party system, giving the government firm control over the processes of decision-making in the popular House. In both types of systems, interaction is likely to occur primarily (although not exclusively) between members of the executive branch. In parliamentary systems, however, the partial fusion of the legislature and the executive makes implementation of joint action more straightforward than in systems where the legislature and the executive are separate. On the other hand, creation of a powerful second chamber, which is a feature of many federations, appears to cause less disturbance to the structural logic of presidential than parliamentary systems. In parliamentary systems, the expectation that a government drawn from the parliament can rely on the parliament to implement its programmes and policies may be defeated by a second chamber, which in this case will be a source of friction. There is no such expectation in a presidential system. While a second chamber may be an additional hurdle for the President to surmount, it has no implications for the design of the presidential system.

The distinction between dual and integrated federations may also affect both the design and purpose of interaction. In a dual federation, of which the US is a classic example, at least in terms of underlying design, each sphere of government has a complete set of governing institutions. In an integrated federation, of which Germany is the prime example, the federated units implement much of the legislation enacted by the federation and some other

institutions may also be shared. The distinction may be significant in various ways. Most obviously, however, where one sphere of government implements legislation enacted by another, the degree of interdependence (often conflict) is greater than in systems where each sphere enacts, executes and adjudicates over their own policies and programmes. In these cases, the interdependence may not be acknowledged and the various players challenge the legitimacy of each other to be involved in the process. Interdependence in turn may raise questions about whether the lines of accountability for action that is taken lie between governments, between governments and voters, or both. In Germany, Austria and Switzerland, it also is associated with expectations that all governments in the federation will act in good faith towards the others.

It should be acknowledged, however, that in the early years of the twenty-first century, most federations fell somewhere between these two paradigm cases. In particular, most federations, whether dualist or integrative in their underlying design, provide for some sharing of institutions and some forms of joint action. The structure and operation of the Indian Administrative System is a particularly interesting case in point because it structures the bureaucracy as an institution which is accountable to both the centre and the states.

Two other kinds of institutional difference may be mentioned more briefly. One is the legal system. The principles of the common law and civil law differ in ways that affect the enforcement of inter-governmental agreements and the extent to which governments can make grants for purposes beyond their allotted areas of constitutional competence. Another difference, of an entirely different kind, concerns the initiative and referendum. As the example of Switzerland shows, the possibility that any legislation may be challenged by a popular vote encourages elected representatives to be more consensus oriented than in purely representative systems and may also be conducive to closer scrutiny of forms of intergovernmental interaction.

The degree of *diversity of the peoples* of the federation is one further distinction between federations that affects the processes of interaction. Cultural diversity may manifest itself in a number of ways, of which language and religion are prominent examples.

It is of course possible for a federation to have a culturally heterogeneous population in circumstances that have no particular correlation with federalism, as the United States and Australia show. The distinction between federations to which this part refers arises in cases where federalism is linked to cultural diversity in some way: where federalism has been adopted as a means of accommodating cultural diversity, for example, and the boundaries of the federated units complement the diversity of the population. India, Switzerland, Canada and Nigeria are examples.

In federations of this kind, diversity has an impact on the operation of federalism more generally. It may, for example, cause the federation to develop greater resistance to the forces of centralization, as in Canada. It may lead to a greater emphasis on features of shared rule in the original design of the federation, to discourage the emergence of secessionist tendencies. Relevantly for present purposes, however, where the cultural diversity of the population is reflected in the federal organization of the country, it is likely to affect the processes of interaction as well. In such cases, interaction offers an alternative means of demonstrating and reinforcing the values of unity, without necessarily detracting from autonomy and difference. It also offers a means of anticipating, avoiding and handling conflict, which may take different forms, in federations of this kind. At the same time, however, interaction potentially faces additional challenges, ranging from cost (for example, to accommodate language differences) to the barriers to trust that sometimes accompany cultural difference.

2.2 Interaction in Developing Countries

It was noted earlier that one important dimension of this theme concerns interaction in federal systems in developing countries. The federal experience of developing countries has received disproportionately less attention, both generally and in the context of inter-governmental interaction. This is true despite some efforts to reach beyond the experience of countries in the Americas and in Europe. An international conference on federalism hosted by India provides an opportunity to broaden world knowledge and understanding of federal practice in this important respect.

This issue is one on which much will be learned in the course of the conference. In the interim, however, the following may assist to prompt reflection on it. It should be acknowledged at the outset, of course, that developing countries that also happen to be federations are in no way homogenous, and that, for all of the generalizations made, there are likely to be obvious and important exceptions.

One typical difference in the circumstances of developing and developed federal countries concerns wealth and the associated issue of capacity. Developing countries may lack the financial or staff resources to support some forms of interaction. While this is true of more developed countries as well, the impact of limited resources may have a greater impact on less developed jurisdictions. Equally importantly, they may lack the capacity, in some or all spheres of government, to engage effectively in some forms of interaction. Lack of capacity is likely to be felt most keenly at the level of the federated units, or in more local spheres of government. In the case of such federations, there may be a tendency to compensate by accepting more intrusive forms of unilateral central action, or by adopting asymmetric arrangements, often on a bilateral basis, that distinguish between units on grounds of capacity. Such tendencies in turn may have implications for lines of accountability and hence for relations within the federation itself. They may create, for example, an expectation that the federated units are answerable to the centre. They may cause arrangements to be put in place to enable central institutions to intervene in the affairs of the constituent units. This carries the concomitant risk that such powers may be abused, suggesting the need for appropriate safeguards to be put in place.

Interaction offers solutions to such difficulties as well. There is room for collaboration between the federated units or between units and the centre in order to raise the capacity of poorer units and to compensate for asymmetries of this kind.

A second category of differences between the circumstances of developed and some developing federal countries relates to the stability of government generally and to the effective functioning of particular aspects of the system of government. Most obviously, many developing federal countries also are relatively new democracies, or democracies that have experienced periods of authoritarian

rule in relatively recent times. The habits from pre-democratic times are likely to retain a degree of influence. Until a democratic culture is embedded, a willingness to compromise and to accept limits on power that federalism generally requires and that is critical to many forms of interaction may be elusive. Such difficulties will be exacerbated if one party is dominant, particularly in the central sphere. Difficulties of other kinds are presented for interaction where a party system is fragmented and fluid or where other allegiances, including cultural allegiances are more significant, changing and further complicating, the patterns of interaction.

New democracies may also struggle with the requirements of accountability and transparency on which democracy depends. This may be because accountability systems are unfamiliar; because they are not fully developed; or because to give them effect would expose deficiencies in government resulting from misjudgment, maladministration or, in some cases, corruption. In these cases, the problems of accountability and transparency associated with many forms of interaction in federal systems may be greater still.

The distinguishing features of developing, as opposed to developed, federal countries may lead to new insights into the possibilities of interaction from which the developed federal countries also may learn. Many developing federal countries have been established more recently than most of the older, developed federations. Many of them have adopted institutions and techniques from the older federations and have adapted them to their own needs and to contemporary circumstances. Often, the result is interesting innovation. The Fiscal Commissions in India and South Africa are examples. In some cases, also, efforts are being made to give transplanted institutions and practices indigenous roots. The association of cooperative government arrangements with the *ubuntu* in South Africa is an example. In other cases, the circumstances of the developing federation have given rise to new forms of interaction. The Inter-State Commission in India is an example. Also, in many developing federal countries, the vibrancy of civil society has added a new dimension to the practice of interaction in federal systems, perhaps offering alternative lines of accountability that could be further explored.

2.3 *Changing Context*

One final cross-cutting factor, which should be understood as affecting all dimensions of this theme, is the constant evolution to which all federations are subject and which necessarily affects interaction as well. Thus, it must be borne in mind that patterns of interaction that exist in any federation at any point in time are likely to be subject to ongoing pressure that will force innovation and change over time. This process is facilitated by the informal and flexible character of many of the forms of interaction in federal systems. It is likely to be enhanced by interchange between federations, to enable innovations on matters of shared interest to be understood more widely and, if appropriate, adapted and applied.

Forces for change may be internal or external. Internal factors include new policy challenges and changes in the system of government itself. Some internal changes will be specific to the country itself. Thus, the changes in the Indian party system, away from the major national parties towards smaller, often regionally based parties changed the dynamic of federalism and patterns of interaction. On the other hand, sometimes internal changes respond to new fashions in government, affecting many parts of the world. Examples with particular relevance to federal interaction include the privatization of public services, giving rise to a greater degree of public/private interdependence, with obvious relevance for the range of parties with an interest in interaction; the growing significance of local government, often resulting in its formal recognition as a partner in federal government and its right to participate in intergovernmental forums; increasing experimentation with forms of indigenous self-government; and the priority now accorded to accountability and transparency.

External forces for change are those commonly associated with internationalization and globalization. The former is understood to include the dramatic extension of international arrangements, sometimes including the deepening of supranational arrangements, that was a feature of the world at the end of the twentieth century. These developments have created new tensions in many federations, in part through their impact on the distribution of power between

the spheres of government and in part because of the many new policy questions thus raised, ranging from the removal of barriers to trade, to global warming, to measures to tackle international terrorism. In some federations, some of these tensions, at least, have been eased through new forms of interaction. The forces of globalization are more intrusive still, often forcing domestic policy changes in response to pressures for greater international competitiveness. These forces also have a tendency to widen the stakeholders with an interest in the outcome of interaction and thus to affect the forms of interaction themselves.

3. The Concept of Interaction in Federal Systems

Until the end of World War II, federal systems were defined in relatively simple terms. The concept of federalism involved relationships between central governments and governmental units found in states, provinces or local levels (often called subnational governments or, as in this paper, federated units). While the countries that were originally described as federal systems varied in terms of their histories as well as the relative powers of each sphere of government, many students of federalism, particularly in Anglo-Saxon countries, argued that the multiple (usually two) spheres of government contained distinct separation between those levels and that they were independent and autonomous. Others maintained that this view about independence was unrealistic as nations took on responsibilities related to the welfare state. These responsibilities sometimes required interaction between spheres of government. In some instances, powers of the central government increased as national policies were crafted.

The powers of the spheres were usually defined in constitutional terms but the assumptions behind this allocation were related to the historical development within the country. This legal framework resulted in different balances between the relative roles of the central government vis-à-vis the states, provinces or local spheres. Despite these variations, the construct of federalism was limited to relationships between governments. Typically, the relationships

lay between various actors in the executive branch, although increasingly, ways are being sought to involve legislatures as well.

In the post World War II era, newly independent states were formed as colonialism diminished around the globe. These newer states were created as variations on the federal theme. They were not always built around existing governmental units but rather reflected demographic patterns involving ethnic, religious or language differences. Issues of political representation, language rights, self-government, control over resources and internal migration had to be confronted. In addition, independence sometimes created scepticism about central government powers and the desire to create systems with fragmented and shared powers. At the same time, development agendas made it important to attempt to create fiscal systems that provided a way to distribute resources in some equitable way across the nation.

Interactions between the players in this post-colonial period often involved decisions about the allocation of resources and the criteria that would be used to make those evaluations. As such, the bargaining process that led to these decisions was likely to include political issues and players that moved beyond constitutionally defined powers and roles. Given below are the rationales for the choice of subthemes.

4. The Choice of Subtheme: Purposes of Interaction

Federalism involves a combination of shared rule and self rule. In a federation, by definition, public power is divided in some way between at least two spheres of government. The federal or central sphere exercises its powers in relation to the national community, to which it is accountable. Each of the other spheres serves defined parts of the national community to which, also, it is accountable. Each polity enjoys a degree of autonomy in the performance of its functions, in order to respond to the needs of the community that it serves.

Even on this understanding of the feature that lies at the heart of the design of federal political systems, interaction plays a role.

Most federations are structured in a way that enable the people organized in federated units and, sometimes, the institutions of the federated units themselves, to contribute to the formulation or implementation of national policy. Conversely, in some federations, institutions of the federated units may perform functions on behalf of the federal sphere, regularly or intermittently. In some federations, also, institutions have been established that perform functions for more than one sphere and, in that sense, are shared.

As the definition of interaction in the earlier part shows, however, it has long been accepted that the practice of government in a federal system involves a greater degree of interdependence between spheres than the simple model of distribution of powers suggests. The exercise of a function by one sphere of government will often impinge on the functions and responsibilities of others. The several spheres of government in any event operate within a single polity, affecting the same people, collectively considered. It is remarkably difficult to divide powers clearly between spheres of government, in any event. Even if a neat division were possible, at a particular moment in time, it is likely to become less appropriate in due course, as the context within which the federation operates changes.

These considerations, which apply to all federations, make additional forms of interaction inevitable, of both formal and informal kinds. In the light of these considerations, it can be seen that interaction provides the necessary flexibility to make a federation work in a manner that meets the needs of its people, despite the relative rigidity of the formal constitutional division of power. It enables policies to be coordinated, even where harmonization is not sought. It enables information to be shared, statistics to be gathered for the purposes of subsequent policy development and economies of scale to be achieved. It facilitates the spread of successful innovations, which is one of the principal claimed advantages of a federal form of government, and provides a warning mechanism against those that are less successful. It assists to build trust, between groups that may be inherently mistrustful of each other.

As the earlier analysis of the concept of interaction also shows, the range of actors potentially involved in such processes has grown. At the very least, interaction in a federal system in the first decade

of the twenty-first century now involves officials of all kinds, from all branches of government. Typically, it also now includes representatives of more local spheres of government as well, although the degree to which this is so varies between federations. As internationalization and globalization progresses, interaction also may involve actors from the international sphere. In developing countries their role is likely to be particularly significant, as the examples of the World Bank and the IMF suggest. In the face of privatization, private sector organizations and agencies of civil society potentially are involved as well, although often through different processes and still in a somewhat embryonic way.

As the range of actors expands so, too, do the purposes of interaction. In all cases, knowledge transfer necessarily plays an important part. Depending on the circumstances, however, interaction also can assist, for example, with the accommodation of the policies of international agencies with national and subnational needs and priorities. They can enhance the effectiveness of joint schemes between the public and the private sectors and they can improve the responsiveness of policies and programmes to the electorate.

These broad purposes of interaction should be born in mind in evaluating the techniques and considering the challenges of accountability and transparency in subthemes “Techniques, Structures, and Processes” and “Accountability and Transparency”. The particular purpose of interaction on which the Indian Conference on Federalism will focus, however, is its use to manage conflict and tension, whether between spheres of government, between government and the private sector or between groups in the community themselves.

The subtheme has been chosen for several reasons. Firstly, the management of conflict is central to the effectiveness of any federation and to the security and fulfilment of the lives of its people. Some conflicts can of course be resolved by judicial determination but others cannot. Litigation in any event involves cost and delay and typically is used only after conflict has crystallized, making alternative mechanisms for anticipating and resolving disputes attractive. Secondly, despite the obvious importance of this potential use of interaction, much of the federalism literature has emphasized issues related to legal, constitutional and fiscal relationships. Thirdly, problems of conflict and tension are increasing in all coun-

tries, including federal countries and it is timely to examine and to share information about ways in which they might be eased. Finally, while there is potential for conflict in every federation they are exacerbated in some by particular factors including poverty, socio-economic disparities between people, uneven regional development, and deep cultural difference. Many of these factors affect developing countries, sometimes in an acute form. Examining the use of interaction to manage conflict thus fits with what we have identified as one of the most significant contributions that the Indian Conference can make to the understanding of the practice of federal government.

5. The Choice of Subtheme: Varieties of Interaction

A range of instruments of interaction have emerged across the globe in a variety of settings. These instruments have developed from many different sources and are best understood in the context of specific government structures and specific policy areas. Some of these instruments have been primarily used as tools of centralized control while others reflect a tendency to look to decentralized forms. In a world that is characterized by new demands and shifting boundaries, it is important to create instruments that are able to serve as boundary spanning devices. Four broad categories of instruments are of interest: structure, programmatic, research and capacity building, and behavioural.

5.1 *Structural Matters*

Structural matters have to do with formal roles and relationships; patterns of authority and leadership; rules, policies and regulations; and mechanisms for differentiation and integration of formal roles, tasks and relationships. They include attempts to redesign or reorganize government to respond to changing needs and priorities; attempts to decentralize or devolve responsibilities is another way to change the distribution of power between national and sub-national players. There are also a number of instruments that faci-

litate coordination. These coordinating mechanisms are a way to facilitate both horizontal and vertical relationships in federal systems without formally changing the rules or players. Meetings of the leaders of states or provinces are sometimes used as a coordination device.

Other structural instruments involve the creation of commissions, policies related to the imposition of regulation or, the opposite, deregulation. Oversight requirements can also occur at the input, process or output side of programmes. They can include elements such as citizen participation or planning requirements as well as evaluation requirements.

5.2 Programmatic Instruments

Programmatic instruments are those employed to deal with the dilemma that involves the application of resources and redesign of programmes and grant types. From the national government perspective, they have often been used as a way for states, provinces, localities or regions to attack social and economic problems by providing them with the resources to deal with these issues.

Some countries have moved from highly specific categorical grants toward broader purpose grants as a way of giving subnational players latitude to deal with issues as they define them. While providing latitude for these players, the national government may lose its ability to impose accountability on them.

Other programmatic instruments involve the creation of partnerships or other forms of collaborations. Partnerships generally involve setting priorities and providing incentives at higher levels of government and letting others take action to achieve them. This may mean less reliance on service delivery through public bureaucracies and more utilization of public-public or public-private partnerships. Under partnership schemes, governments share, trade services or contract with one another for specific services. Collaborations may involve the granting of national government funds to a set of subnational players conditioned upon their ability to work together and share resources. Collaboration is often based on recognition that no single agency or system of services can effectively

respond to those who need them. Inter-agency collaboration calls for partners to relinquish total control of resources in favour of the group process, pooling resources, and jointly planning, implementing and evaluating new services.

5.3 Research and Capacity-Building Instruments

Research and capacity-building instruments are those that assist in the building of capacity at all levels to empower players in the system. Research is an indirect instrument that may help people understand problems and issues, options and consequences of action. As such, it can aid those promoting coordination activities. Similarly the creation of clearing houses for those seeking information can improve coordination and strengthen subnational discretion.

Capacity building is a widely used tool that involves efforts by the national government to strengthen the capabilities of subnational groups to manage programmes or policies on their own. Central governments may provide technical assistance in the form of grants or contracts which provide for training and skill building in a range of responsibilities that allow the grantees to improve skills in the management of grants. They may also ensure accountability through development of management skills that facilitate compliance with national grant requirements.

5.4 Behavioural Instruments

Behavioural instruments highlight methods of allowing more or less autonomy or imposing more or less accountability. Accountability can be viewed in a narrow fashion, or as emphasizing performance. It requires attention to individual and group processes of communication and processes of conflict management. These instruments can be used to respond to conflict that emerges from political or other macro forces or to deal with communication problems at either the group or individual level. Conflict management is not an attempt to avoid or suppress conflict but to prevent unnecessary conflict and manage the conflict that does occur toward productive ends. Conflict prevention may involve methods of build-

ing consensus among actors in a particular programmatic or policy area. Use of negotiation is one way to deal with differences between actors about the development of rules and regulations.

Hearings are a form of group communication that provides a forum for representatives of groups in and outside of government to take positions and express their views. They also provide a means for governmental actors to collect information and shape ideas that later may become policy.

Individual communication improvement is also a way to deal with differences between a national government and other actors. An environment of resource scarcity and political uncertainty demands openness in interactions across governments and other actors. Players need to be able to listen, delegate, manage conflict and build consensus.

None of these instruments is a panacea to deal with interaction in federal systems. It is important to look at issues and situations from a number of different perspectives simultaneously. While one might search for rules of thumb that make particular instruments more or less appropriate in particular situations, the determination to adopt any one of these approaches appears to be highly idiosyncratic to particular countries and to specific situations. This is a time that calls for players in this process to experiment with new instruments that are appropriate to meet current needs.

Subtheme “Techniques, Structures, and Processes” is concerned with the techniques and structures of interaction. These issues lie at the heart of the concept of interaction itself. The range is potentially vast, and growing. Even though not all arrangements are relevant to all federations, given differences of other kinds between them, there is much to be learnt from a shared understanding of how other federations work in this regard.

6. The Choice of Subtheme: Challenges for Interaction

While various forms of interaction have always taken place in federal systems, a number of developments have occurred over the past decade or so that have increased the importance of interaction.

These include the many new challenges that face contemporary governments, shifting views about the role of government, greater interdependence between levels of government, the emergence of public-private interdependence and movement in policy boundaries. At the same time, some of these developments have increased the range of actors involved in interaction, potentially increasing the complexity of the systems. Arguably, the consequences are not yet fully understood. In many countries, structures and processes have not been adequately accommodated to the new reality.

Interaction in federal systems faces a range of challenges. One is for it to be effective for the purpose or purposes to be achieved. Another is for interaction to be used appropriately, to support shared rule without undermining the potential of self-rule. Interaction is generally a positive force in a federation. If used inappropriately, unnecessarily, or too extensively, however, it can be a façade for centralization, stifling initiative, inhibiting the capacity of public institutions to be responsive to the needs of the communities that they serve, or leading to deadlock, rather than to coordinated action.

One of the most significant challenges to federal interaction lies in meeting appropriate standards for accountability and transparency. It may be noted in passing that these may also contribute towards tackling the earlier challenges as well. Effectiveness of interaction is likely to be improved by scrutiny and accountability of results. Inappropriate use may also be inhibited by public debate and demands for performance at more local levels. On the other hand, both accountability and transparency are more complicated in this context than may at first glance appear. In a federal system accountability claims may be made by a number of actors, some of whom may be in conflict with each other. Voters or taxpayers are the most obvious, seeking to hold public officials from the various spheres of government to account, in the face of complex and interdependent decision-making processes. One government may also be accountable to another, for actions taken on its behalf or in circumstances where one has a legal or de facto power of intervention, when there is a significant shortfall in performance by another. Accountability claims of different kinds may be made by international institutions, such as the World Bank; by international

donors and other members of the international community; and by other governments involved in supranational arrangements. Transparency is the general concomitant of accountability, but will not always be an unqualified good, if it inhibits the capacity of actors to effectively achieve beneficial outcomes, without compensating rewards.

Questions about accountability and transparency arise in this context for a variety of reasons. Interaction in a federal system by definition involves multiple actors in decision-making processes, thus blurring traditional lines of accountability, to a greater or lesser degree. This aspect of the problem may be diminished when interaction is recognized in constitutional or legal form. More often than not, however, this is not the case. In any event, many forums for interaction are informal and private, making transparency difficult and enabling accountability to be avoided. In addition, to the extent that interaction involves financial transfers, it breaks the traditional democratic link between accountability for raising and spending public money. Partly because of the informality of much interaction and partly because of its shifting and flexible nature, mechanisms to record and scrutinize the processes and results of interaction tend to be underdeveloped, in comparison with other governmental forms.

Accountability and transparency are appropriately chosen as a subtheme for these reasons alone. But additional factors also underpin the choice. In the first decade of the twenty-first century, accountability and transparency are more important than ever before. More educated and alert voters, modern modes of communication, the pressures of international competition and, in some cases, the standards set by international agencies combine to impose new demands for performance on governments. Conversely, there is heightened concern about mismanagement and corruption, with accountability and transparency a necessary, if not sufficient, part of most solutions. Not surprisingly, in these circumstances, considerable innovation has taken place in governance and public sector management. Much of this has focused on the activities of governments, considered independently of each other, leaving processes of interaction unaffected. Slowly, however, the changes are begin-

ning to affect interaction as well. For these reasons also, a focus on accountability and transparency in federal interaction is timely at an international conference on federalism in 2007.