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**VOLUNTARY SECTOR: STATE RELATIONSHIPS IN FEDERAL SYSTEMS**

**Susan D. Phillips**

School of Public Administration  
Carleton University

In most democratic countries, the relationship between the voluntary/nonprofit sector and the state is undergoing fundamental change. This is a product of a transformation in both the nature of governance and the character of the sector. On the one hand, extensive state restructuring has downloaded the provision of many services to voluntary organizations and has created an expansive contracting regime for service delivery. This shift is occurring not merely as cost reduction, although financial exigencies have been important motivators. Public sector restructuring has also reflected a transition from a paradigm of "government" - of government departments unilaterally setting policy and producing services B to one of "governance" in which governments work collaboratively and horizontally with other governments and with voluntary and private sector partners. (1) Governments of both the left and right are also taking a renewed interest in citizenship: in promoting volunteerism, an active citizenry and a vibrant civil society. The result has been a realization on the part of governments that they need the voluntary sector more than ever, not only as partners in service delivery, but in building social capital and enhancing social cohesion. On the other hand, the voluntary/nonprofit sector is evolving rapidly from a model based on charity to one based on civil society - that is, from a model premised on helping those less fortunate to one in which communities have the resources and are empowered to represent and help themselves. This has sparked the emergence of strong national leadership aimed at providing strategic direction to the sector and the demand for new policy tools and citizen engagement processes. Far from the days in which non-governmental organizations (NGOs) were seen by governments as either irrelevant or pesky lobbyists, the leitmotif at the millennium is, as the Prime Minister of Australia recently noted, one of "shared endeavour." (2)

Although there are many consistencies across countries in the deliberate attempts by governments and the voluntary sector to construct more positive relationships, these efforts are both constrained and facilitated by state structures and relationship histories. In particular, federalism necessarily adds complexity to the relationship between the voluntary sector and the state. This paper addresses two questions. How does federalism shape the relationships between governments, both national and subnational, and the voluntary/nonprofit sector? What is the impact of NGOs on the intergovernmental processes of federalism? We begin with some brief conceptual definitions.

**The Voluntary and Nonprofit Sector Defined**

This paper is framed in the context of the voluntary and nonprofit sector to remind us that this is a sector, albeit an enormously diverse and often disconnected one, rather than a collection of individual, autonomous organizations. As a sector, there is an underlying imperative shared by all voluntary organizations to some extent: representation of the identities and interests of their communities; engagement of citizens in their work; and delivery of services of benefit to their members or the community at large. In spite of the diversity - of locale, scale, mission, capacity and constituency - the voluntary sector has some measure of both vertical and horizontal structure. Vertical structure is achieved to varying degrees by the agglomeration of grassroots organizations into intermediary, umbrella associations that can represent their interests at a broader scale. As we will see,

the need for intermediary organizations is increased in federal systems.

The diversity of the voluntary sector should be neither underestimated nor ignored. Indeed, diversity is the sector's underlying strength, allowing flexibility in meeting a wide range of community needs, enabling representation of an enormous variety of particular communities and creating multiple routes of citizen access to collective action. It also means that the cohesiveness of the voluntary sector is, at best, loosely coupled. Nevertheless, horizontal linkages created by alliances, information sharing and common causes are constructed over time and create a loose networking that can facilitate immediate and far flung reactions to state initiatives.

Within the voluntary and nonprofit sector, there are three distinct parts. The first is the "charitable" subsector comprised of organizations with charitable purposes, as defined by common law or the civil code, which normally are permitted to operate as exempt from taxation and, in most countries, to issue receipts for donations that can be claimed by the donor as tax deductible. As charitable in nature, most are engaged in delivering services of some kind. The second stream, "political" or "advocacy-oriented" civil society organizations, includes interest groups, social movement organizations and community associations which may deliver services, but which have a primary goal of representing their constituencies, giving voice to them and engaging in public policy advocacy on their behalf. As a result, many of these organizations are not eligible to be registered as charitable, although they may be tax exempt. The third distinct part of the sector consists of business and trade associations that, as associations, are nonprofit, but whose members are for-profit corporations and whose purposes are usually aimed at mutual, not public benefit. In recent years, business and trade associations have extended their political reach beyond their own industries, however, to become vocal advocates of fiscal restraint and of the restructuring of the welfare state. With corporate membership to draw upon, the financial advantage of these associations over the first two types is enormous. Because this part of the sector is "quasi-private" in many respects, more aligned with the private sector than with the rest of the voluntary sector, it is largely excluded from this discussion.

As expressions of community, voluntary organizations spring from community, either geographic or social/political/cultural in nature. Although the state cannot define and create these communities and their organizational forms, it nevertheless does recognize, support, and even legislatively entrench the status of some identities, communities and organizations over others. The opportunity to shape and legitimize certain identities is reinforced by federalism which is an instrument for both reflecting a country's commonalities and accommodating its diversity.<sup>(3)</sup> In particular, federalism promotes the expression and influence of minority communities where they are geographically concentrated so that they can easily align with subnational units, as Quebec and Catalonia demonstrate. But, NGO-state linkages do not depend simply on geography. In some cases, strong relationships between NGOs and the national government have developed where certain groups were identified as central to the promotion of a national identity. In Canada, for instance, the federal government for decades has supported and in the 1982 constitution entrenched protection for selected equality-seeking groups, including women, minority language and multicultural communities and disabled persons. As a result, organizations representing these communities have long looked to the federal government to protect and advance their claims and concerns, even though the policies and programs that most directly affect them are the primary responsibility of provincial governments.

### **Conceptualizing Voluntary Sector - State Relationships**

The voluntary sector-state relationship is multifaceted. Conceptually, a relationship between the voluntary sector and government has five distinct dimensions:

- public policy advocacy and dialogue: NGOs advocate, uninvited, on behalf of their constituencies. But, they are also frequently invited by governments to participate in dialogue around public policy issues which affect their communities and in which

they have expertise.

- accountability: a relationship entails some measure of accountability, the requirement to explain and accept responsibility for carrying out assigned mandates. (4)
- support: a relationship contributes, in varying degrees, to the development of capacity in the voluntary sector and complements the resources and infrastructure of government.
- transparency: beyond promotion of appropriate conduct and acceptance of responsibility, a sector-state relationship should provide an opportunity for the public to ascertain whether both sides have lived up to commitments made and to understand how, and how well, the relationship is working. Transparency helps to ensure that the relationship is perceived as legitimate - by the sector, by government and by the public at large.
- service delivery: the final dimension of a relationship is the provision of services to citizens, either on contract, in partnership with government, or in the absence of government.

Finally, it is important to recognize that relationships between the sector and the state may occur at different scales - at the micro, meso or macro levels. The micro level involves one-on-one interaction - an individual department with a particular NGO on a specific policy or program issue. The meso level facilitates relationships between government department(s) and a subsector of groups, such as the many organizations representing the disability community. The macro level, involving government as an entity dealing with the sector as a sector, is just beginning to emerge in many countries as broad frameworks and principles for the future of the relationship are being established.

### **Federalism and Public Policy Advocacy**

Does a federal structure enable NGOs to be more effective representatives of their constituencies and have a greater influence on public policy than in unitary countries? The literature has answered this question with a resounding "yes" and a definitive "no."

The case that federal structures facilitate the advocacy effectiveness of NGOs is related to the impact of multiple jurisdictions, but is argued along two somewhat different lines. The first rationale is that federalism creates opportunities for policy innovation and emulation.(5) Multiple jurisdictions permit NGOs to convince provincial or state governments to initiate a policy or program experiment on a local scale that may subsequently be adopted by other jurisdictions. Supporters of the concept of "competitive federalism" take the argument a step further in asserting that federalism creates market-like conditions of not only experimentation, but competition: subnational units compete for innovative policies and the ability of citizens to vote with their feet will reward this innovation.

The related argument is based on the concept of the "multiple cracks" afforded by divided jurisdictions, a notion developed by Morton Grodzin to explain interest groups and federalism in the United States. The multiple crack thesis asserts that if an NGO does not succeed at one level of government in a federal system, it can try the other, sometimes bringing the first along as an ally or playing one level of government off against the other.(6) Such opportunity is more likely when relations between levels of government are quiescent or cooperative.(7) In competitive systems, NGOs can be a coordinating, even reconciling force between jurisdictions, as Streeck observes of construction industry associations between the federal and Land governments in Germany. By taking advantage of multiple points of access, NGOs may have a more lasting impact on intergovernmental relations because, by offering support to one level of government rather than others, they can enhance that government's sense of its legitimacy in acting outside its own jurisdiction.(9)

Multiple jurisdictions can serve as constraints as well as opportunities, however. As easily as they can produce innovation, joint decision-making processes and jurisdictional juggling can generate unsatisfying policy responses. As Pierson notes, federalism provides governments, at both levels, with escape mechanisms such as a preference to use policy arrangements which do not require cooperation of other levels or the pursuit of opt-out clauses and it increases the likelihood of failed implementation.(10)

Federalism also forces particular structural responses by NGOs. To work effectively across jurisdictions, voluntary and nonprofit organizations usually need to mirror federal structures within their own organizations, creating umbrella structures that have local, state/regional and national components. Often, the tensions of the jurisdictional struggles of federalism are internalized and played out within these umbrella structures. This is well illustrated by many Canadian health organizations such as the Lung Association and the Heart and Stroke Foundation. Because power and money lie with the provincial members, reflecting in part the locus of constitutional authority for health, the national office historically has had an ill-defined role or been subservient to provincial members. In an effort to clarify roles, revenue sharing and authority within the organization, the Heart and Stroke Foundation recently developed its own innovative federation agreement between the national and provincial bodies. We need to be careful not to overstate the case, however. Although federalism unquestionably influences NGO structures, it does not necessarily predetermine internal politics.(11)

What is invariable is that the maintenance of federated organizational structures takes considerable resources, both financial and human. Governing structures become both more elaborate and costly because regionalism must be reflected on the board of directors. The inclusion of representatives of all or most subnational units may result in a large, sometimes unwieldy governing board. By political necessity, annual general meetings migrate across the country. In countries with more than one official language, virtually all national NGOs operate multi-lingually, at enormous but necessary expense. Thus the impact of federalism may be to stretch voluntary associations beyond their capacity to sustain themselves. In general, trade associations are much better equipped to replicate federal structures due to their greater wealth, so that the effect is felt most acutely by civil society organizations, accentuating a disparity in who gets heard at both the national and subnational levels. The problem is exacerbated when federalism meets the exigencies of fundraising. There has been a tendency in recent years for governments, corporations and the public to prefer to donate to grassroots service organizations, rather than intermediary associations whose members and clients are other organizations. Yet, it is often these intermediary associations that are the innovators within the sector, advancing new policy ideas, enhancing governance and accountability through the provision of training and other tools and connecting grassroots organizations across the country. If national federated organizations can sustain themselves, however, they play an extremely valuable role in mitigating the weakness of individual organizations.

Federalism entails not only structure, but process. The main argument for the reduced effectiveness of voluntary organizations in federal systems is that the process of intergovernmental relations freezes them out.(12) Although groups may be included in policy discussions by government departments at the federal or subnational level, once the issue at hand becomes a topic of intergovernmental discussions, groups are usually preempted because the intergovernmental process is designed to accommodate the interests of governments, not other players. Once they move into the intergovernmental arena, issues tend to become "high" politics, politicized with personal and positional egos attached to them, and decision making within governments becomes centralized, moving from line departments to central agencies and cabinets, thus loosening existing departmental-group ties. Seldom do intergovernmental processes allow for group or public consultation and the secrecy of the process means that groups may not even know what is being bargained away. In recent years, NGOs have led a strong challenge to the secrecy of intergovernmental relations, demanding NGO participation and creating expectations that citizens at large will be engaged before any implementation of decisions reached through

intergovernmental negotiations.(13)

In judging the veracity of these competing theses, it is important to note that most of the studies and assumptions of the role of nongovernmental players in federal systems are time bound, penned during the 1970s and 1980s. They thus assume an underlying process of state building - of competition for taking credit for creating new programs.(14) But, the stronger imperative for governments in recent years of austerity and retrenchment has been blame avoidance. In many respects, the process of downloading and buck passing associated with retrenchment are even more likely to exclude external actors than the intergovernmental relations associated with competitive state building.

The nature of advocacy activity in the context of intergovernmental relations has changed in several other ways in recent years that have made the role of the voluntary sector simultaneously more and less effective. NGOs are less constrained by the bounds of the nation state and thus by federalism at all. The federal state is no longer the pinnacle, but only a mid tier in an emerging multi-level state that, in the upper echelons, includes the global order (eg. UN, GATT and WTO) and continental regimes (eg. NAFTA) and, at the lower end, stronger localism centred on municipal governments with downloaded responsibilities and political clout. As a result, federal and provincial governments are merely sandwiched between other potentially strong actors.(15) This affords new possibilities of influence for NGOs. Not only might they play off a national against a subnational government, but increasingly they are turning to international and supranational institutions to apply pressure on domestic governments. Aboriginal peoples have perhaps been the most masterful at this tactic, but environmental and social policy groups have also effectively used United Nations conventions and machinery, for example, to embarrass domestic governments, sometimes into action. In a sense, the multiple cracks that once demarcated the vessel of a federal state have been a veritable cloisonné of possibilities.

At the same time, the space for public policy advocacy by voluntary organizations within federations, as in other nation states, has been shrinking. As we will see in the next section, this space has been constricted as a result of attempts by national governments in many countries to impose, directly or indirectly, stricter limits on advocacy activity. The second reason is less obvious. Not only has there been a decentralization in many federations from federal to state to municipal levels of government, but a shift from state to markets, communities and families through offloading, privatization, contracting and partnerships.(16) Once programs and services are moved from the public to the private sector, the likelihood that voluntary organizations will be consulted or have any input into their design and delivery is significantly reduced. Indeed, under many neo-liberal regimes, voluntary organizations increasingly find themselves in direct competition with commercial firms for contracts and delivery of services.(17) But, even as partners with government, voluntary organizations may find their voices muzzled when government players retain control over policy parameters, through contracts or by controlling the purse strings. Once inside a partnership, voluntary organizations are often constrained by their government partners or other funders from oscillating between the roles of co-producer and advocate. Thus while they may have a greater stake in the delivery of public services, voluntary organizations find they have a diminished voice in the policies that frame such delivery.

## **Beyond Advocacy: Other Dimensions of Voluntary Sector - State Relationships**

### **Accountability**

As a collection of self-governing organizations, the voluntary/nonprofit sector is by necessity self-regulating. As organizations which hold an important public trust, however, they are also appropriately regulated to some degree by the state to ensure their accountability to the public at large. As the International Centre for NonProfit Law notes, "Where there are sketchy and unclear laws, fraud and abuse proliferate. But equally importantly, lack of regulation creates a situation in which civic organizations have very little protection from arbitrary state actions."(18) Although there is considerable variation

in specific detail and practice across federal countries, most supervise the conduct of voluntary and nonprofit organization in two ways: 1) by regulating charitable and nonprofit organizations and their activities under the tax system; and 2) by placing disclosure requirements and some restrictions on lobbying activities by all advocates in the public sphere, including voluntary sector organizations, trade associations and corporations.

As overseer of the tax system, the national government is usually responsible for determining and registering organizations as charitable, even though the jurisdiction over charities as a civil matter may rest with the state or provincial government. The determination of charitable status is made either under common law (eg. Canada), under common law and a system of codification (eg. USA) or under the civil code (eg. Brazil and Germany).<sup>(19)</sup> Registration as charitable normally entitles an organization to issue tax receipts for donations and the national government therefore requires certain annual reporting requirements and compliance with regulations regarding conduct; for example, limits are usually placed on unrelated business and on political activities and the appropriate discharge of fiduciary responsibilities is ensured by regulating the amount of money that must be disbursed annually to charitable purposes as opposed to being spent on administration or fundraising.<sup>(20)</sup>

State or provincial governments also have a hand in promoting accountability through several channels. The creation of a legal status for a nonprofit organization, as an incorporated entity or a trust, is normally the jurisdiction of provincial/state governments and this also entails certain reporting and restrictions on conduct. At the subnational level, federations differ enormously in the interest expressed by state governments in regulating the activities of charitable organizations outside the service contracting process. At one extreme is the United States where states extensively supervise and, indeed, micro-manage fundraising and other activities.<sup>(21)</sup> In contrast, the oversight exercised by subnational governments in Canada and Australia could best be described as benign neglect.<sup>(22)</sup> This is potentially a sensitive area of jurisdiction within federations with a good case to be made for greater self regulation and a stronger role for national governments, albeit coordinating their efforts with state/provincial levels. It is essential, for instance, that federations maintain a national system of registration for charitable status because geography matters less and less to how voluntary organizations operate and, particularly, how they fundraise. With the technology of direct mail and the Internet, charitable organizations fundraise to communities of supporters without being constrained by geographical boundaries. Consequently, attempts by subnational governments to regulate fundraising or to determine which organizations qualify as charitable within that jurisdiction may be frustrated by current practice and may increasingly frustrate NGOs.

In addition to the supervision of the activities of charitable organizations, many federal and state governments also regulate advocacy activities directly. For example, Australia, Canada, Germany and the United States require the registration of lobbyists, whether they are working as employees of NGOs or as professional lobbyists for an association, a corporate client or another government. The goal of such registration is not to restrict advocacy, but to make it more transparent to the public and to public officials who are the targets. Comparative analysis has shown that lobbyist registration has proven neither particularly costly nor onerous for voluntary sector organizations.<sup>(23)</sup> Registration usually demands relatively little effort on the part of NGOs because their missions are usually obvious and they rarely have the money to hire professional lobbyists.

## **Support**

The flip side of accountability is capacity-building. The rationale for government support to voluntary sector organizations is three fold. First, governments want to encourage citizens to become engaged in the work of voluntary organizations by making donations to them. Philanthropy is therefore reinforced by tax incentives, resulting in tax expenditures for the state. This is normally the responsibility of and cost to the federal government and should remain so. A second rationale for government support to NGOs is to enable certain communities, those disadvantaged or particularly central to conceptions of nationhood, to

participate actively in civil life and be represented in political space at all. Government support to particular organizations may be provided in the form of grants to sustain their core operations or as indirect and in-kind assistance, such as lending expertise through secondments and providing access to technology. An interest in ensuring that certain services are delivered at all or are delivered according to particular standards is a third reason for government support to voluntary organizations. This type of support usually comes in the form of contract or project funding tied to certain "deliverables."

Restructuring of the welfare state has created enormous pressures on the support dimension of the sector-state relationship. Competition for fundraising has become fierce among voluntary organizations due to the demand for more and new services, often unilaterally downloaded from governments. On top of this, most governments have replaced operational support with project grants or contracts, meaning that NGOs increasingly have to chase project money, tailoring their activities to what is fashionable in funding in order to use project-directed money to subsidize core operations - a process that has been referred to as the "dance of contract management," during which organizations risk spinning further and further away from their core missions. (24) Not only has core support shrunk, but increasingly, voluntary organizations find that they need to compete directly with governments as the latter are also turning to public fundraising to finance certain public services. This financial squeeze is not limited to federations, but is occurring in most nations in which the welfare state and the scope of the public sector has been significantly reduced. But, the interesting question is: are the pressures any greater in federal states? Although there is no comparative analysis, a federal system allows greater possibility for the support dimension of the relationship to fall between the cracks: both the federal and state/provincial levels can claim that it is the responsibility of the other to support the sector and build the requisite capacity within it.

The squeeze of less money and greater responsibilities have generated initiatives to review and discuss the nature and future of the relationship and to elevate these discussions to the meso and macro levels - as sector to state - rather than as individual organization to government department. This is a process in which national governments have taken the lead, but which in a second round will need to involve subnational levels as well. Although nascent, such macro level processes have begun to produce some positive results: Australia for example has created a tri-sector roundtable to facilitate ongoing discussions among government, the voluntary and private sectors related to promoting partnerships and philanthropy; the Labour government in the United Kingdom has negotiated compacts with the sector in England, Scotland, Wales and Northern Ireland that lay out principles for the relationship, including funding, and codes of conduct; (25) Canada is in the process of redesigning the relationship based on recommendations produced by a series of joint tables comprised of representatives of the federal government and the sector.

### **Transparency**

A fourth aspect of the relationship between the voluntary sector and the state is transparency, a public window on the relationship. How have governments, federal and subnational, discharged their responsibilities and commitments to the sector? Are voluntary organizations acting in ways that truly reflect the desires of their members or constituencies? Transparency is critically important due to the element of public trust inherent in the voluntary sector. Yet, transparency is the least developed aspect of the sector-state relationship. The public's access to mandatory reports by the voluntary sector varies greatly across countries. Seldom are there requirements for governments to report on their conduct toward the sector, however, although recent interest in negotiated compacts and in social auditing has begun to incorporate a requirement for annual reporting by governments as well as existing requirements on the sector. The creation of effective transparency for both sides becomes even trickier in federations since the jurisdiction is generally shared. To avoid a rush by both state and federal governments to impose new, often overlapping, reporting requirements, coordination across governments and consultation with the sector will be vital.

## **Service Delivery**

Restructuring of the public service, particularly related to social policy, has had profound changes on the nature of service delivery in most countries. Although played out somewhat differently in various countries, the consistent trends have been a rise in contracting and an increase in co-production or partnership. The expansion of contracting regimes has had several effects on the voluntary sector. Contracting is predicated on an underlying principle of NGO competition, both with other NGOs and with commercial firms in many cases. The implication of such competition, as DiMaggio and Powell note, may be to make competing organizations more isomorphic, increasingly similar due to the imposition of a common contracting environment.(26) Rather than becoming more particularistic, voluntary organizations drawn into the contracting culture may begin to lose many of the distinctively voluntarist characteristics which made them attractive to government and community in the first place.(27) With contracting also comes, appropriately, some measure of regulation and reporting. The difficulty is not with regulation per se, but with the lack of coordination of regulatory and reporting requirements across governments and across other funders. Often, different funders require exactly the same information from an organization, but require it to be reported in different ways, thereby creating a significant paper burden on NGOs. In addition, outcome or performance measurement has replaced input controls as the means of quality assurance, requiring much greater sophistication and resources to collect.

Partnership is one of the new tools of governance. Although partnering, in theory, provides a mechanism for enhancing understanding and dialogue between the government and non-governmental partners, it is often limited in practice. In short, the operational decentralization brought about by contracting and co-production has not necessarily meant decentralization of policy. Indeed, it has often produced the opposite - greater centralization as governments exert greater control over strategy and policy while handing off day-to-day operations.(28) At the same time, however, governments have not assumed the required role of coordinator of access to the decentralized operations, the impact of which is often felt by NGOs when their clients in attempting to access services have a harder time figuring out who does what.

The increased paper burden, demand for outcome measurement, simultaneous centralization and decentralization and reduced coordination over services are occurring in many states, not just federations. Federalism magnifies the effect, however. The demands for partnering, measuring, and reporting increase as both federal and state/provincial levels attempt to connect to various communities through the voluntary sector and to shrink the size of the public sector. Thus the need for building relationships at the meso and macro - across governments and with other funders - that can produce dialogue and shared understanding of the potential and limitations of the voluntary sector becomes even more critical in federal systems than in unitary ones. And, less unlikely to succeed.

## **Conclusion**

This paper has made the case that the impact of NGOs on intergovernmental relations has to be understood in the broader context of the impact of the changing relationship between the state and the voluntary sector. Federalism undoubtedly makes this relationship more complex, by forcing organizations to mirror a federal structure in their own organizations to ensure that they have a presence at both the national and subnational levels, by creating greater and overlapping demands for accountability, regulation and outcome measurement, and by opening a chasm during times of retrenchment into which NGOs can fall when both levels of government withdraw support, but leave the impression that the responsibility lies with the "other."

NGOs also have an impact on the process of intergovernmental relations. Their activism has opened up the process by criticizing closed-door deliberations among governments that are shielded from public view and citizen engagement. Although confidential discussions among elected officials and among public servants will always have some place

in intergovernmental relations, NGOs have created the expectation that "high politics" - discussions around the big constitutional or framework issues - will be transparent and, indeed, include participation by representatives of key communities or stakeholders.(29) The growing importance of the voluntary sector in both governance and in building a healthy civil society has also put the question of the relationship with the sector, as a sector not simply as individual interests, on the table. Although, so far, discussions about voluntary sector-state relationships have been localized at either the national or subnational level, it is only a matter of time before we can expect that the sector-state relationship is itself a focal point of intergovernmental discussions.

### **Issues for Discussion**

- How does federalism shape the relationships between governments, both national and subnational, and the voluntary/nonprofit sector? What is the impact of NGOs on the intergovernmental processes of federalism?
- Does federalism facilitate or inhibit effective public policy advocacy by NGOs? What are the complexities of such advocacy for elected officials and public servants? Are NGOs making more effective use of international/supranational institutions and mechanisms in their advocacy efforts, with what impact on federal and subnational governments?
- How can a stronger, more constructive relationship between the state and the voluntary sector be established? How does federalism affect the renewal of the state-sector relationship?
- Should the process of intergovernmental relationship be opened up to include participation by citizens and NGOs? If so, how can intergovernmental processes be made more inclusive?

### **Notes**

1. See, for example, Gilles Paquet, "Tectonic Changes in Canadian Governance," In Leslie A. Pal (ed.), *How Ottawa Spends: 1999-2000: Shape Shifting: Canadian Governance Toward the 21st Century* (Toronto: Oxford University Press, 1999), pp.75-111.
2. Hon. John Howard, "Opening Comments by the Prime Minister, 25 March 1998," available at Business and Community Partnerships – An Initiative of the Prime Minister's Round Table <http://www.facs.gov.au/partners/comments.htm>.
3. See Keith G. Banting, "Social Citizenship and the Social Union in Canada," *Policy Options*, November 1998, p.34; Will Kymlicka, "Ethnic Associations and Democratic Citizenship," In Amy Gutmann (ed.), *Freedom of Association* (Princeton, NJ: Princeton University Press, 1998), pp. 177-213; Robert Howse, "Searching for Plan A: National Unity and the Chrétien Government's New Federalism," In Harvey Lazar (ed.), *Canada: The State of the Federation 1997* (Kingston, ON: Institute of Intergovernmental Relations, Queen's University, 1998), pp. 311-31.
4. Panel on Accountability and Governance in the Voluntary Sector. *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector* (Ottawa: Voluntary Sector Roundtable, 1999), p. 11.
5. Keith G. Banting, *The Welfare State and Canadian Federalism* 2nd ed. (Montreal and Kingston: McGill-Queen's University Press, 1987) and Paul Pierson, "Fragmented Welfare States: Federal Institutions and the Development of Social Policy," *Governance*, 8, 4, October 1995, pp. 449-78.
6. See, for example, M. W. Bucovetsky, "The Mining Industry and the Great Tax Reform Debate," In A. Paul Pross (ed.), *Pressure Group Behaviour in Canadian Politics* (Toronto: McGraw-Hill Ryerson, 1975); and Hugh G. Thorburn, *Interest Groups in the Canadian Federal System* (Toronto: University of Toronto Press for the Royal Commission on the

- Economic Union and Development Prospects for Canada, 1985), pp. 60-65.
7. Richard Schultz, *Federalism, Bureaucracy and Public Policy: The Politics of Highway Transport Regulation* (Montreal: McGill-Queen's University Press, 1980), especially ch. 8; and William D. Coleman, "Federalism and Interest Group Organization," In Herman Bakvis and William M. Chandler (eds.), *Federalism and the Role of the State* (Toronto: University of Toronto Press, 1987), p. 172.
  8. W. Streeck noted in Coleman, "Federalism and Interest Group Organization," p. 172.
  9. Thorburn, *Interest Groups in the Canadian Federal System*, p. 62.
  10. Pierson, "Fragmented Welfare States: Federal Institutions and the Development of Social Policy," p. 462.
  11. For example, the environmental movement in Canada, where environment is an area of shared jurisdiction, has developed strong and policy capable national organizations with only loose connections to the grassroots, while provincial environmental organization have remained comparatively weaker. See Susan D. Phillips, "New Social Movements and Routes to Representation: Science versus Politics," in S. Brooks and A-G. Gagnon, eds, *The Political Influence of Ideas: Social Scientists, Policy Communities and the State* (New York: Praeger Publishers, 1994), pp. 57-82.
  12. Richard Simeon, *Federal-Provincial Diplomacy, the Making of Recent Policy in Canada* (Toronto: University of Toronto Press, 1972).
  13. Perhaps the most public debate in any federation over who should participate in intergovernmental negotiations took place in Canada in the late 1980s and early 1990s during the rounds of constitutional reform known as the Meech Lake and Charlottetown Accords. For a discussion of the participatory process of this period, see Leslie A. Pal and F. Leslie Seidle, "Constitutional Politics 1990-92: The Paradox of Participation," In Susan D. Phillips (ed.), *How Ottawa Spends 1993-1994: A More Democratic Canada . . . ?* (Ottawa: Carleton University Press, 1993), pp. 143-202.
  14. Pierson, "Fragmented Welfare States," p. 458.
  15. Stephen Clarkson and Timothy Lewis, "The Contested State: Canada in the Post-Cold War, Post-Keynesian, Post-Fordist, Post-National Era," In Leslie A. Pal (ed.) *How Ottawa Spends 1999-2000: Shape Shifting: Canadian Governance Toward the 21st Century* (Toronto: Oxford University Press, 1999), pp. 298-303.
  16. See Gérard Boismenu and Jane Jenson, "A Social Union of a Federal State?: Competing Visions of Intergovernmental Relations in the New Liberal Era," In Leslie A. Pal (ed.), *How Ottawa Spends 1998-99: Balancing Act: The Post-Deficit Mandate* (Toronto: Oxford University Press, 1998), pp. 60-2; and Julia S. O'Connor, Ann Shola Orloff and Sheila Shaver, *States, Markets, Families: Gender, Liberalism and Social Policy in Australia, Canada, Great Britain and the United States* (Cambridge: Cambridge University Press, 1999).
  17. See Lester M. Salamon, *Partners in Public Service* (Baltimore and London: Johns Hopkins University Press, 1995).
  18. International Centre for Not-for-Profit Law (ICNL), "Regulating Not-for-Profit Organizations," available at <http://www.icnl.org/comp3.html>.
  19. Although one would expect that the shared use of the common law creates enormous consistency in which types of organizations qualify to be registered as charitable, the divergence is, in fact, considerable. Of the federal common law countries, Canada probably has the most restrictive definition of charity; many organizations that would be registered as tax exempt charities in the United States, for instance, would not be in their norther neighbour. Australia recently took the courageous step of removing religious organizations from the charitable definition.
  20. Many countries also require annual public reporting by organizations registered as

charities. Australia is a notable exemption to this. See Lester M. Salamon, *The International guide to Nonprofit Law* (New York: John Wiley & Sons, 1997), p. 59. Other countries, such as India and South Africa until recently, placed limits on the amount of funding from foreign sources that voluntary organizations can receive.

21. Salamon argues that the minutiae of regulation by American states has reached "crisis proportions" for US charitable organizations. See Salamon, *The International guide to Nonprofit Law*, pp. 364-5.
22. Panel on Accountability and Governance in the Voluntary Sector, *Building on Strength*, p. 78.
23. Yael Yishai, "The Guardian State: A Comparative Analysis of Interest Group Regulation," *Governance*, 11, 2, April 1998, pp. 153-76.
24. Stephen R. Smith and Michael Lipsky, *NonProfits for Hire: The Welfare State in the Age of Contracting* (Cambridge: Harvard University Press, 1993).
25. Although the UK is not a federal country, it nevertheless faced many of the same issues as federations since most of the everyday relationship is experienced between the sector and local authorities, not the central government. It is also a model for federations as the next step in building a new relationship is to negotiate local compacts. See Gary Craig et al., *Developing Local Compacts: Relationships between Local Public Sector Bodies and the Voluntary and Community Sectors* (London: York Publishing Services, 1999). A summary is available at [http://www.jrf.org.uk/press\\_release/pr170299.htm](http://www.jrf.org.uk/press_release/pr170299.htm)
26. P. DiMaggio and W. Powell, "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields," *American Sociological Review*, 48, 1983, pp. 147-60.
27. See Paul Hoggett, "New Modes of Control in the Public Service," *Public Administration*, 74, Spring 1996, pp. 12-17.
28. Hoggett, "New Modes of Control," pp. 17-19.
29. The recently negotiated Social Union Framework Agreement between the Canadian government and provinces reflects this concern by incorporating a requirement for citizen engagement in future federal provincial policy discussions.

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**Forum of Federations / Forum des fédérations**  
**forum@forumfed.org**

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