



Issue Date: September 2009	Effective Date: Immediate	Responsible Agency: Office of the Comptroller General	Directive No: 912
Chapter: Accounting and Control of Revenue			
Directive Title: PRIVATIZATION OF GOVERNMENT PROGRAMS, SERVICES OR ENTERPRISES			

1. POLICY

S. 4(1) of the *Financial Administration Act (FAA)* requires the Financial Management Board (FMB) to evaluate the efficiency, economy and effectiveness of Government programs. Under this authority, the FMB may recommend the privatization of certain programs and services to strengthen Government and to support and encourage the expansion of a strong northern private sector.

The goals of privatization of government service are as follows:

- to increase the effectiveness which government programs and services are delivered;
- to increase the efficiency which government programs and services are delivered;
- to increase the economy of government programs and services; and
- to curb the growth of the public sector and increase the growth of the private sector.

2. DEFINITIONS

- 2.1. Economy – thrifty management of money, materials, etc.
- 2.2. Effectiveness – comparison of actual results to expected levels of achievement in terms of objectives.
- 2.3. Efficiency – comparison of output with the resources consumed to produce it. How well resources are being used.
- 2.4. Private Sector - the aggregate of all Nunavut businesses, as defined in the Nunavummi Nangminiqaqtunik Ikajuuti Policy (NNI Policy). – other than those owned or controlled by governments.
- 2.5. Privatization - a process where Government programs, services or enterprises are turned over to the private sector for delivery. The delivery

may be carried out completely by the private sector or on a shared basis with Government.

- 2.6. Public-private partnerships (P3) - contractual agreements between a Government and a private sector entity that allows for greater private sector participation in the delivery of Government services.

3. DIRECTIVE

The approval of the Legislative Assembly, upon the recommendation of the Executive Council and the FMB, is required before the privatization of any Government activity or business, or a P3 arrangement, can take place. Plans presented for approval must be approved by the Minister responsible for the activity or business and follow the provisions of this Directive.

This directive does not apply to assets which are determined to be surplus to the department's requirements. The disposal of these assets is covered in Directive 917-1.

Also, this Directive does not apply to normal contractual arrangements where the Government acquires goods or services that are required to carry on its operations, but it does apply to assets that are part of a privatization plan.

4. PROVISIONS

- 4.1. Any proposal to privatize government services, or enter into P3 arrangements, must demonstrate that the goals of privatization, as set out in the Policy section of this Directive, will be achieved.
- 4.2. Any P3 arrangements must comply with the Department of Finance Public-Private Partnership Policy.
- 4.3. Proposals to privatize government services or enter into P3 arrangements must demonstrate that they meet the following objectives:
 - a) a reduction in the cost of government services and provide for more efficient service delivery, where possible;
 - b) to provide an appropriate quality and level of service to meet the needs of consumers;
 - c) to stimulate economic development, competitiveness and initiative;
 - d) to promote growth in the private sector; and
 - e) to assure that all risks are identified and shared among the participants who are best able to minimize, manage and mitigate them.
- 4.4. The following must be addressed in any proposal for privatization or P3 arrangement:
 - a) objectives of NNI policy;
 - b) continuation of the delivery of service;

- c) how meeting of government policy and its legislative and regulatory responsibilities will be ensured;
 - d) how the quality and level of service can be monitored and maintained or improved;
 - e) that the privatization or P3 arrangement will be cost effective;
 - f) that economic development opportunities will be created or enhanced;
 - g) that the competitiveness environment with customers will be sustainable over the long term;
 - h) that the impact on the immediate and long term implications to other government services can be determined and is acceptable;
 - i) that the government will be able to obtain or retain the required levels of specialized expertise at a reasonable cost; and
 - j) that suitable arrangements can be made to deal with employees' rights and benefits and that the provisions of any collective agreements will be honored.
- 4.5. Prior to completing any privatization or P3 arrangement, the Department responsible for the related service must present a detailed implementation plan to the FMB for approval. This plan must identify the roles and responsibilities of the parties involved in implementing the arrangement and set out, in detail, how the goals, objectives, risks and other criteria contained in the approved proposal will be achieved, managed and monitored. Copies of all proposed contracts and agreements must be included in the plan.