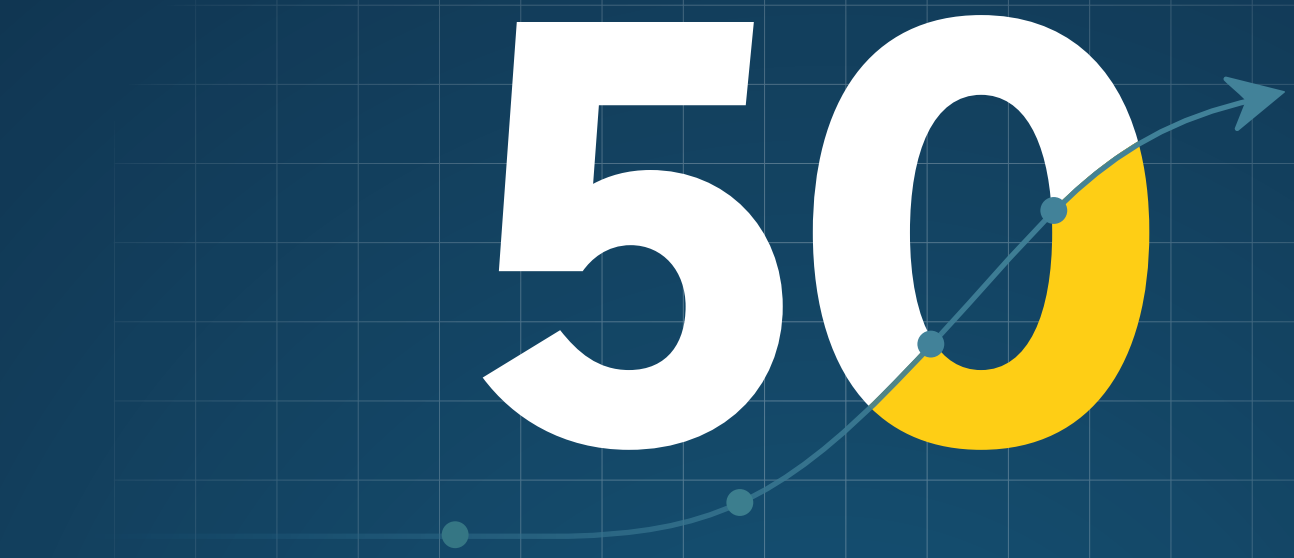
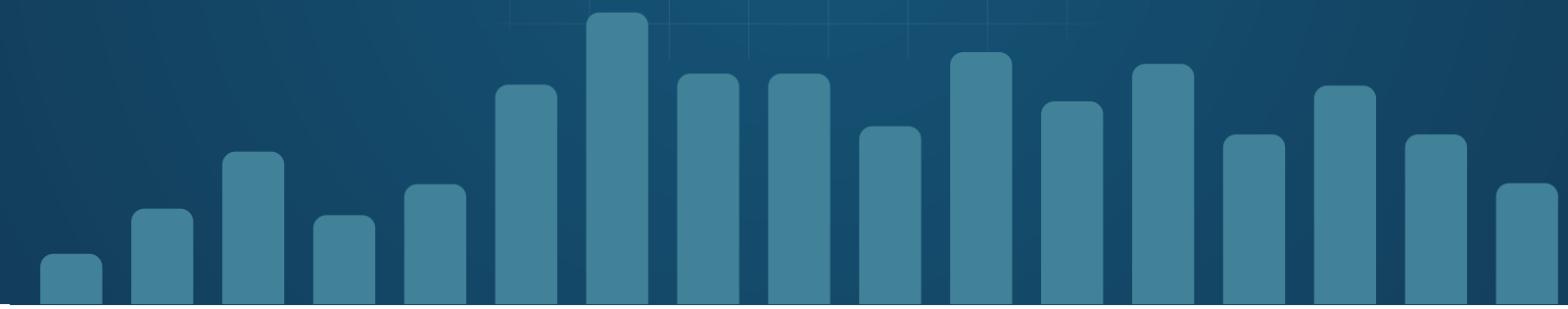
*Review and Reflection Series*

# Canada's Federal Spending Reviews




## 50 Years of Facts, Figures, and Lessons



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# Foreword

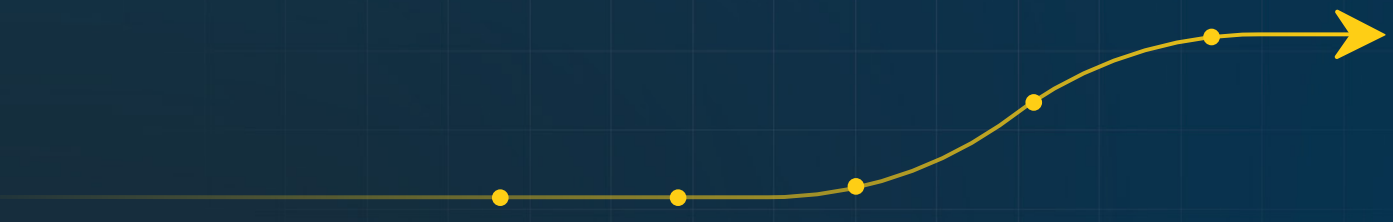
This report is part of the *Review and Reflection Series* from the Canada School of Public Service. This series helps learners to gain new insights into modern-day issues by reviewing and reflecting on benchmark events, policies, and decisions from throughout the last century.

Designed to benefit current and future public administration practitioners, **Canada's Federal Spending Reviews: 50 Years of Facts, Figures, and Lessons** provides a historical perspective on disparate fiscal review initiatives spanning over a half century. Empirical by design, this comprehensive report is thoughtful, reflective, and durable—providing nuance, facts and overviews that are explicitly designed not to be ephemeral commentary. It is hoped that others will not only learn from this work, but will also add to it as future events warrant and as new information of past events emerges. In this spirit, all supporting data has been made available through the Open Government Portal.

Derek Armstrong, who formerly led government spending reviews as Executive Director of Results at the Treasury Board Secretariat, and who is now the Executive Director of Data Insights at the Canada School of Public Service, draws from his two decades of experience in government budgeting and financial analysis to deliver this insightful and thorough report. He was assisted in historical research and data collection by Kym Shumsky, Director of Strategy and Services, also at the Canada School of Public Service.

It is my hope that initiatives like this one will contribute to a strengthened awareness of the important role that public administration practitioners play in shaping and adapting to the emerging priorities of the government of the day and the citizens it serves.

**Taki Sarantakis**
*President, Canada School of Public Service*



# Introduction

Stewardship of public funds is a cornerstone of trust in our democratic institutions. The modern social compact between a citizenry and its democratically elected government is based on the provision of protection and services that enhance everyday life, but at reasonable cost, in return for general taxation. A government must apply stewardship principles or eventually risk losing its operating latitude as finances become unsustainable.

Over time, stewardship in Canada has taken many forms to address contemporary needs, yet certain features have been generally immutable:

- Public spending grows in absolute terms.
- Small cuts to spending are administratively easier than large spending reductions.
- Salaries form a great part of total spending and are administratively easy to restrain.
- Spending reductions are generally not coordinated between departments.
- Impacts are vaguely understood or tracked, with some clear exceptions.
- Every spending cut or constraint is political.

This overview of federal spending reviews in Canada sets out the history and context of efforts to manage and restrain public spending from the 1970s to present day (2024). Understanding this contemporary expenditure management context is important for decoding efforts to restrain spending. The narrative opens with an overview of the economic and fiscal context leading up to and during the past fifty years. Each review is then examined in the same way: contemporary fiscal context; summary of measures taken; spending base and scope of review; specific methods used; results announced or achieved; and lessons learned.

For those who wish to understand how expenditure management practices evolved concurrently, *Annex A: Timeline of Expenditure Management Changes* presents a timeline of stewardship developments, primarily centred on the Expenditure Management System and evaluation policies and their predecessors. *Annex B: A Note on the Data* similarly describes the strengths and weaknesses of the data used in this overview.

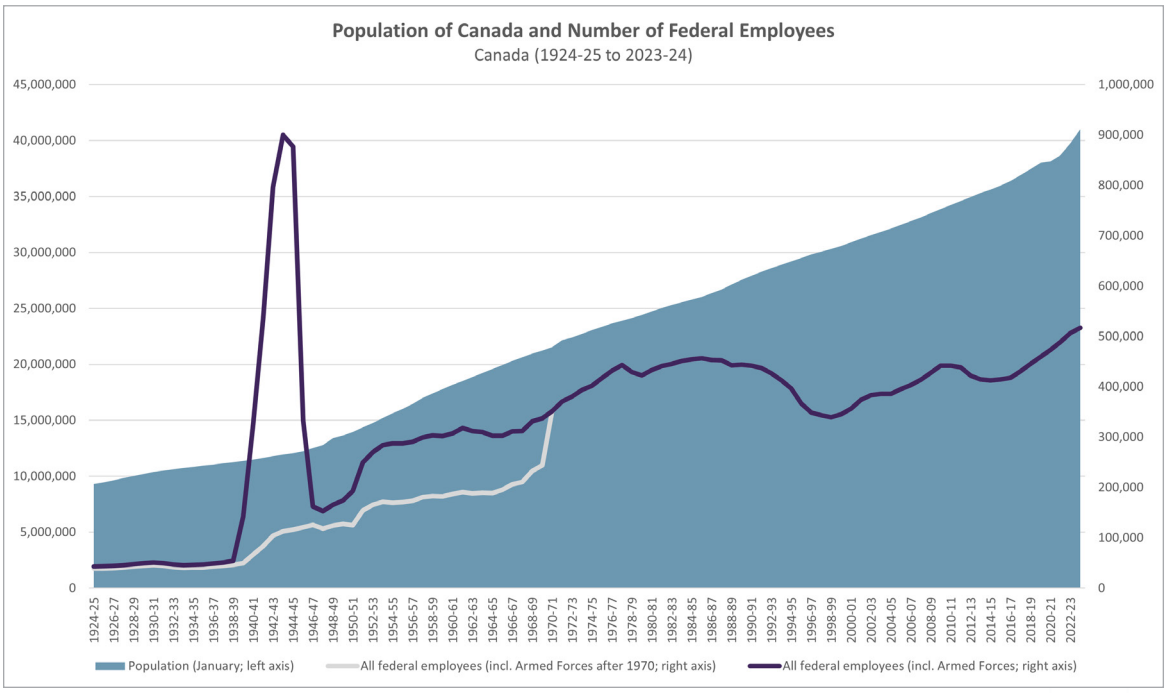
The intent of this work is to provide factual retrospectives and lessons learned. It is also intended to provoke additional thought around the operational and fiscal context of future reviews. Sources are primarily publicly available and are supplemented by the experience of contributing authors who participated in the reviews as organizers or implementers. One intended byproduct is to detail means by which public spending can be successfully reviewed and reduced given a certain familiar context, essentially a handbook of approaches that policy makers may integrate into their stewardship efforts as they face situations that repeat challenges of the past with the benefit of lessons learned over time.

# Overview of Spending Reviews (1974-2024)

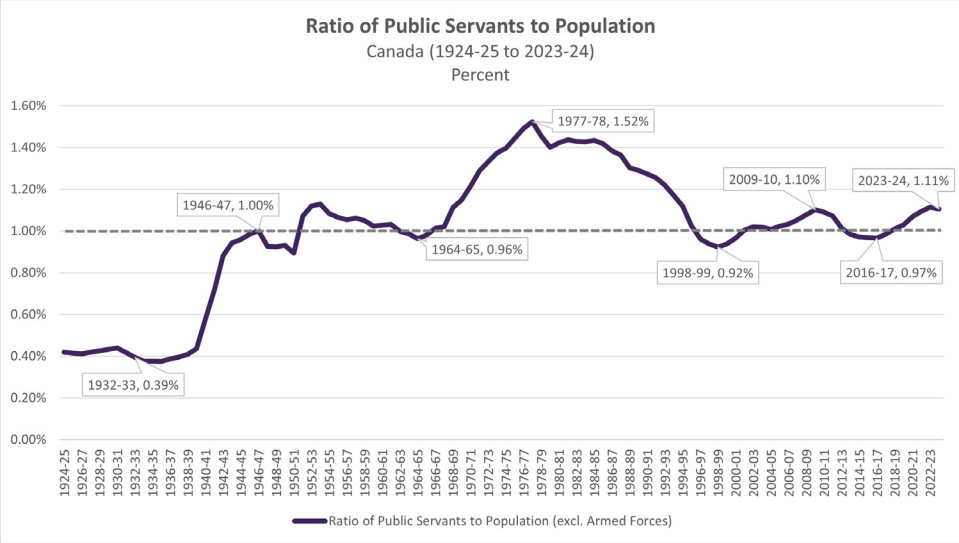
Spending reviews have generally occurred as a response to anticipated or current financial conditions, but always as a result of past growth and spending. In some cases, they set out to improve financial conditions and discipline for the government (e.g. saving for a rainy day). As a result, any attempt to understand and draw lessons from them requires that we also understand the context that drove the government to embark on a spending review in the first place.

Growth in employment and population is a general trend indicator for any state's spending history. The ratio of public servants to the citizens they serve again shows a general trend in expansion or contraction of the state, or other factors that greatly improve or disrupt the productivity of public servants, such as computers in the 1990s. To understand our history, we must go slightly longer than the stated timeframe to depict a full century of such changes.

**Figure 1 – Population of Canada and Number of Federal Employees**

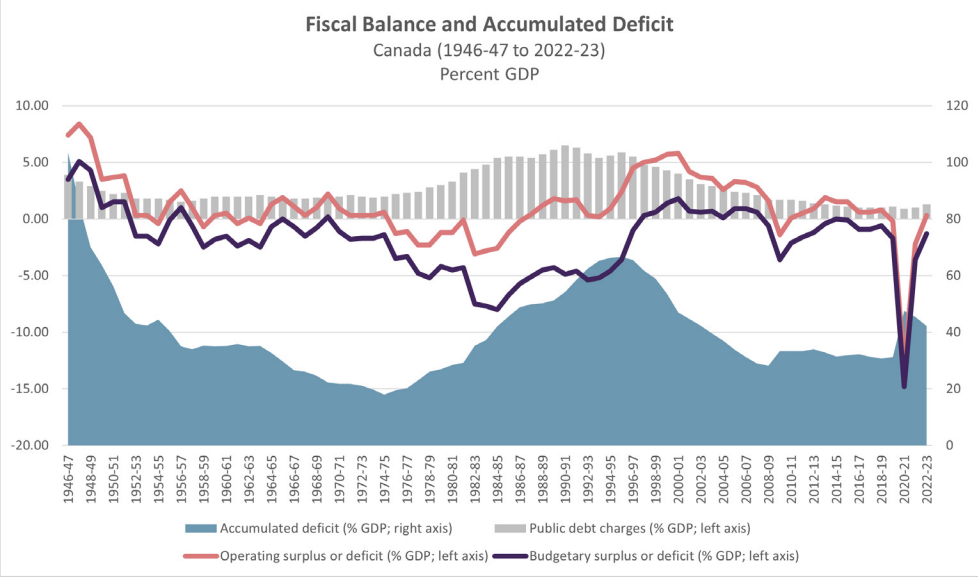


### Figure 2 – Ratio of Public Servants to Population



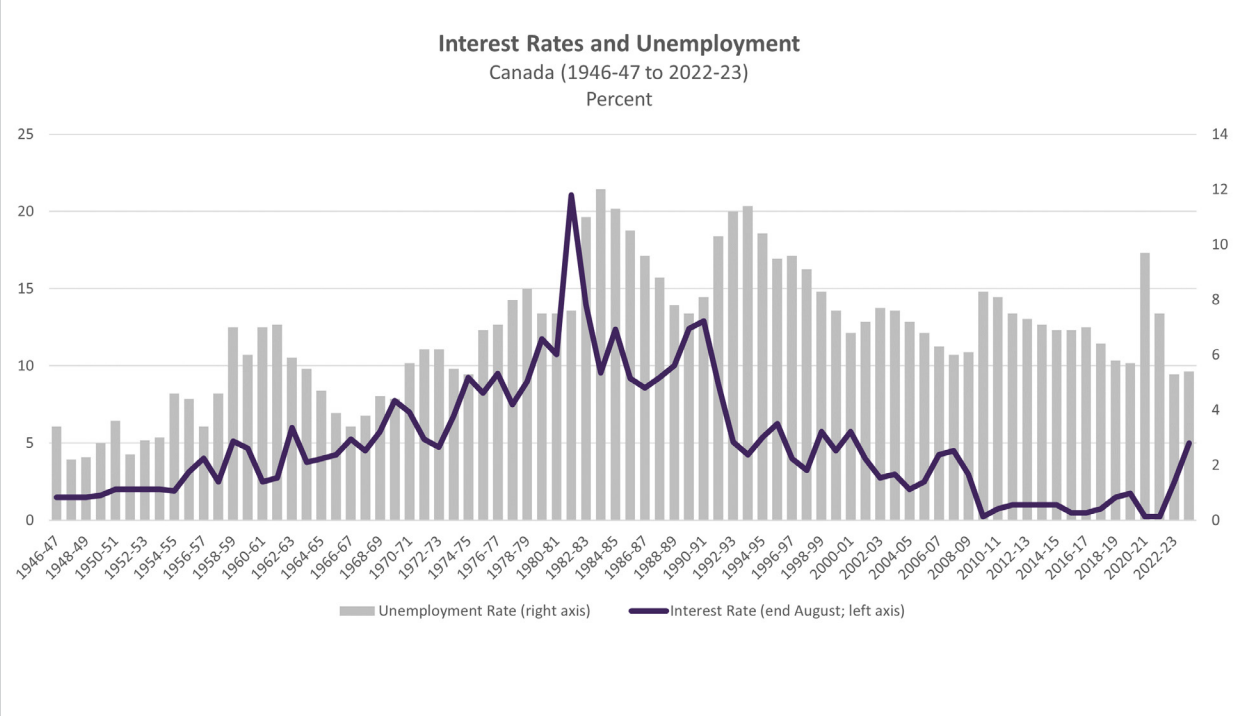

Based on these approximate measures, Canada's federal government greatly expanded in response to the Second World War before settling into a generation of population-proportionate growth. Between the mid-1950s and early 1970s, federal program spending was relatively stable, hovering around 15% of GDP. Revenues largely matched this, with an operating surplus for most of the two post-war decades. Public debt charges also declined immediately after the war as debt was retired and the economy grew, eventually stabilizing around 2% of GDP into the early 1970s. From a post-war high in 1948-49, public debt charges as a percent of program expenses declined from 28% to 11% in 1973-74.

### Figure 3 – Fiscal Balance and Accumulated Deficit



The period of post-war financial stability ended as interest rates and inflation increased in the early 1970s. Unemployment edged up slightly to approximately 6.2% in 1970-71 in response to energy price shocks and general inflation, followed by a much sharper rise to 9.3% by 1977-78. Compared to a decade earlier unemployment, interest rates and inflation had more than doubled. Monetary policy was heavily restrictive in an attempt to quell price increases and combined with legislated efforts to control prices[i].

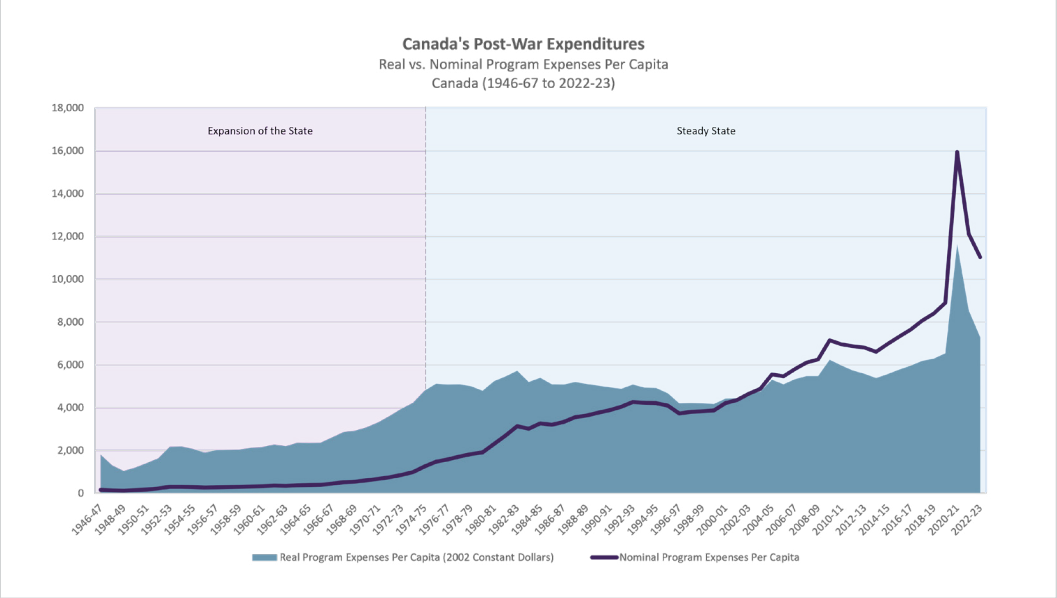
**Figure 4 – Interest Rates and Unemployment**



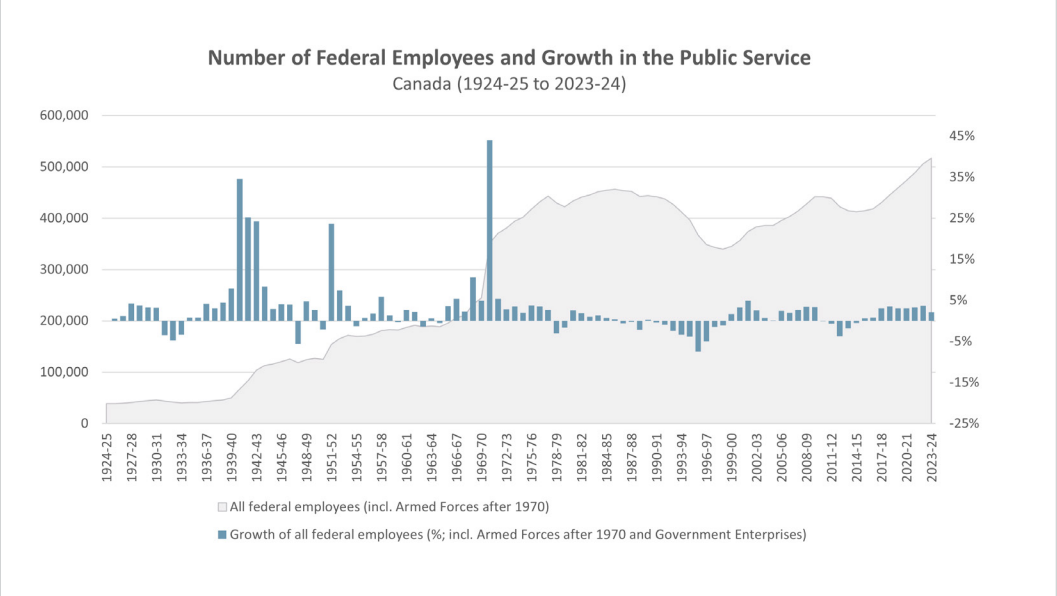

Government program spending in the decade prior to inflation controls was expansive as state programming grew rapidly, averaging 16% annual growth from 1967-68 to 1975-76 (left portion of Figure 5). Despite spending growth of a comparatively meagre 8% per year for the remainder of the 1970s, rapid growth averaging 19% returned until 1982-83. Between 1970-71 and 1982-83, total program expenses increased more than four-fold (448%), a compound average of 15% annually. In inflation-adjusted terms, per-capita expenses doubled between 1967-68 and 1982-83, which was a remarkable feat given that annual inflation averaged nearly 8% over the 15-year span.

Programs introduced during this period included Medicare (1968), farm credits, and Old Age Security expansion and indexing. This period drove the overall expansion in post-war real per-capita spending, which increased from $1,810 in 1946-47 to $5,125 in 1975-76, averaging annual growth 3.8%.

## Figure 5 – Canada's Post-War Expenditures




## Figure 6 – Growth in the Public Service (including Government Enterprises)




**Note:** 1951-52 and 1970-71 growth rates reflect changes in the method used to count employees in those years. In 1951-52, Canada's statistical agency began including 'unenumerated' employees, primarily casual or seasonal employees who previously were not counted. In 1970-71, the series added Canadian Armed Forces members to allow comparison across modern metrics. Trends for the public service including Canadian Armed Forces members for the full series are depicted in Figure 1.

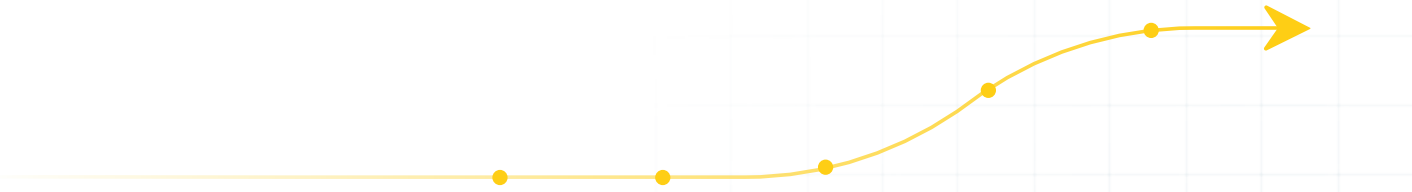
During this same period, federal deficits rose from $1.0 billion in 1970-71 to $29.0 billion in 1982-83. A budgetary surplus would not be seen for another 13 years. Canada's federal government accumulated $116 billion in additional deficit, while annual debt charges rose from $1.9 billion to 16.9 billion, or eight-fold (796%). Debt charges had also grown with spending and interest rate increases to account for 4.4% of GDP and 21% of program spending.

Awareness grew that spending should be controlled in some manner, yet few efforts were made to control or restrain spending in absolute terms during this period of rapid growth. Budget 1976 attempted to limit growth of the public service to 1.5%, with very limited success, for 3 years. Budgets 1977 and 1978 pursued one-off restraints that were typically undone by coinciding tax reductions. Budget 1981 announced $100 million in back-office savings. Other than these measures, no other quantified attempts to slow spending growth appear to have been deployed. Budgets of the era did not discuss material tax increases until the 1980 Budget proposed by Prime Minister Joe Clark's government. That budget was not passed.

Part of the explanation can be seen in public and political discourse of the era. Economic interests and government policy advocated stimulus through tax cuts and government spending. Contrary to the experience in the United States and European countries, interest groups did not offer an array of views and focused on tax stimulus, despite mounting evidence that such an approach could have adverse consequences. Canada's advocacy landscape simply did not muster a diversity of views to improve economic conditions.

Despite the lack of spending restraint, the government adopted new methods to manage priorities during this time. Prime Minister Clark's short-lived government proposed a new expenditure management system that set spending proposals against an envelope of total spending established for a given policy area. This system was adopted and evolved by subsequent governments. The history of expenditure management changes coinciding with this overview of spending reviews can be seen in Annex A: Timeline of Expenditure Management Changes.

Canada faced a serious fiscal situation at this stage, and contemporary macroeconomic conditions offered no salvation. Interest rates remained persistently high into the 1980s and unemployment ranged into double digits for the middle of the decade (Figure 4). Worse, significant annual deficits compounded the problem. Peak deficit—reaching 8% of GDP—occurred in 1984-85 while interest rates were above 12% and unemployment at 11.7%. Annual deficits were themselves accelerating public debt charges by $3-4 billion each year. Canada was borrowing not only for operations, but to pay off the growing interest on its debt (Figure 3).



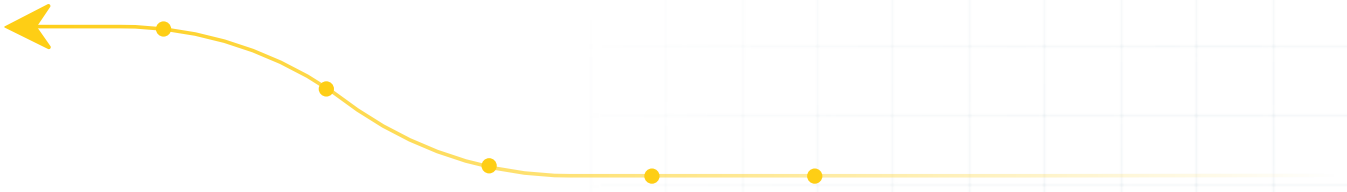
Public discourse shifted at this time. Prime Minister Brian Mulroney's government took office partly on a platform to re-establish the fiscal credibility of the country. One direct effort was to establish a ministerial task force on program review led by Deputy Prime Minister Erik Nielsen. This review examined all government spending through consultations with public and private sector experts and representatives, tabling a comprehensive set of reports with options for government consolidation. The Nielsen Task Force proposed savings amounting to $59 billion in Budget 1986: $30 billion from horizontal measures across government and $29 billion in specific cuts or changes to programs. These measures were expected to save $19 billion over five years by avoiding additional debt charges.

The Nielsen Task Force was emblematic of public discussion at the time. Budget speeches and Economic and Fiscal Statement documents increasingly spoke of the woeful financial situation in Canada. Efforts to rein in spending were positioned as both necessary and virtuous. Yet after the cuts announced in Budget 1986, serious further cuts were not made until 1990, with the introduction of the Expenditure Control Plan. Legislated in 1992 via the Spending Control Act, the Expenditure Control Plan fixed growth in major programs to 5% and froze funding for Established Programs Financing for provinces/territories and several crown corporations for two years. Other programs were reduced (e.g. CMHC) or eliminated (e.g. OSLO energy contributions) or driven to operate more efficiently. These reductions were extended beyond the original two-year horizon and ultimately accounted for more than $39 billion in savings through 1995-96.

Spending growth in the late 1980s and early 1990s started to slow but high unemployment and interest rates persisted. Government policy and programming leading into this period focused on economic growth through free trade, capital gains incentives, childcare, and general tariff negotiations.

The deteriorating fiscal situation increasingly demanded tax reform and asset divestitures. Privatization of crown corporations, wage restraint, and frequent spending restraint efforts contributed to a difficult political environment. The government publicly announced that spending cuts and operating budget freezes would generate 16,000 permanent job losses in the core public service. Privatization of Canada Post and other crown corporations was expected to result in even further job losses. In 1991, the first nationwide strike by the Public Service Alliance of Canada (PSAC) underscored the difficult labour situation. The strike ended through back-to-work legislation.

In 1991, the government also implemented a new federal value-added tax, the Goods and Services Tax (GST), the first significant broad-based tax increase of the past two decades, and the last since. The timing was propitious from a fiscal perspective as the recession in the early 1990s reduced federal tax revenue. GST revenues provided a more dedicated source for the government to offset spending. In 1992, the government introduced the Debt Servicing and Reduction Account Act , which created the Debt Servicing Reduction Account. This enshrined in law that all net revenues from the GST and proceeds from privatization and gifts would be used entirely to pay interest on the national debt and eventually the debt itself. The proceeds of the GST immediately contributed to decelerating growth in accumulated deficit.



It was clear at the time that slowing spending growth was insufficient to tame the federal deficit. Budget 1994 announced a wide-sweeping review of all government programs ("Program Review") with no apparent exclusions, alongside commitments to reduce the government deficit to 3% of GDP (from 5%) by 1996-97. The new government elected in 1993 also kept the restraint commitments of their predecessors, setting the stage for major coinciding spending reductions that would take effect in subsequent years.

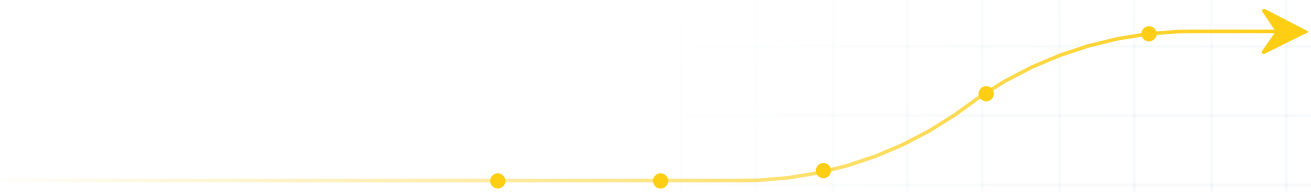
The spending reductions announced through Program Review were unlike anything seen before in scope. Transformative and decisive, the reductions eliminated major swathes of government programming and constrained core functions, with effects that would be felt for more than a decade. Program reductions announced over the four-year horizon amounted to $14.8 billion, while reallocations, operating budget restraint, and wage controls contributed a further $4.6 billion. Growth in major transfers, largely untouched until recent years, was constrained to realize $2 billion in savings. Departments were universally subject to budget reductions, with one exception: the Department of Indian and Northern Affairs saw an increase of 12%. The single largest contributing ministry was Transport Canada, with a 51% reduction, while National Defence lost a cumulative $4.3 billion of its budget.

Absolute cuts to departmental budgets had been rare, but Program Review approached reductions with new ferocity. Cumulative savings from Program Review and further restraint in 1996 amounted to $30.1 billion. Between 1994-95 and 1996-97, annual direct program spending declined by more than 11%. More than 45,000 jobs were shed with the help of retirement and departure incentives that cost $1 billion.

By 1997-98, the federal government had *eliminated* the deficit. Less known is that the government had achieved operating surpluses since 1987-88 and that the overall deficit was driven entirely by growing public debt charges. In the same year the budget was balanced, the operating surplus was nearly $46 billion and rising as the Canadian economy grew significantly.

The fiscal imperative for spending reviews waned greatly with the return of budgetary surplus. Contingency funds and economic prudence set-asides went mostly unused and contributed directly to ongoing debt reduction. Declining interest rates helped reduce debt charges and accelerated the absolute decline in outstanding debt. Accumulated deficit as a proportion of GDP declined from its modern peak of 67% in 1995-96 to just 29% in 2007-08, only 12 years later.

Spending reviews continued after a brief hiatus in the late 1990s and early 2000s. Although the short recession of 2002 served as a reminder of possible economic risks, surpluses were healthy and spending reviews focused on financial discipline, rather than primary fiscal goals. Smaller reallocation exercises in 2003 led to more structured expenditure review results announced in 2005. Together, these contributed another $11.9 billion in reduced or offset spending and led into a period of structural review. A new government introduced Strategic Reviews in 2007-08, creating an ongoing mechanism to examine direct program spending over a four-year cycle. These reviews yielded modest savings, mostly reinvested, and information about program functioning that would become an important commodity only a few years later. A recurring theme in this era was the improvement of back-office efficiency.



Fiscal objectives returned with the Global Financial Crisis of 2008. Strategic Reviews continued in 2009 and 2010 against a backdrop of stimulus spending and other efforts to reduce adverse effects from the brief yet intense recession sparked by coinciding financial market disruptions in the United States and Canada. In all, Strategic Reviews yielded $7.6 billion over their cycle and the government resorted to national defence and international assistance restraint to further reduce its financial requirements.

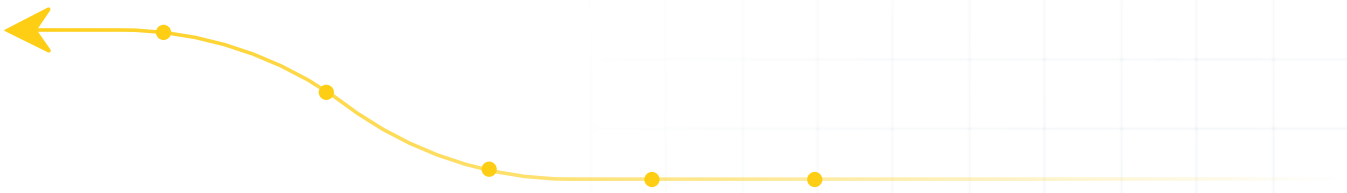
As fiscal stimulus programs wound down, the government set the stage for financial recovery. The budgetary deficit stood at 2.1% of GDP in 2010-11 as it froze operating budgets, restricted wage growth, and prepared to review government spending. Announced in Budget 2011, the Strategic and Operating Review (SOR) yielded $30.6 billion in savings intended to mostly eliminate the federal deficit. Plans at the time estimated 19,200 job losses. By 2013-14, operations showed a healthy $11.6 billion surplus.

The low interest rate environment created a new conundrum for fiscal planning. Under accrual accounting, pension plans, liabilities, and other long-term obligations generally increase as interest rates decline. The reason: the amounts invested now to meet future obligations must be larger since they earn lower returns when interest rates are lower. Despite significantly lower debt charges and deficits compared to the 1980s and 1990s, the federal government experienced large actuarial losses due to the ultra-low interest rate environment.

To this end, and while experiencing operating surpluses and low interest charges, the government implemented changes to the compensation of federal employees by introducing a new pension cohort that would retire at age 65, rather than 60. This change was combined with targeted departmental reviews and further restraint in defence spending, providing $13.5 billion in savings. Following these changes in 2014, no further spending reviews with financial savings were announced until Budget 2021. Reviews of program functioning and machinery occurred, such as the Innovation Review in 2017, but these did not focus on savings. From 2015 to 2019, deficits were re-normalized as $55.3 billion of deficit accumulated, yet GDP growth allowed the relative debt burden to decline.

The onset of the global pandemic disrupted most economic activity in 2020, and governments worldwide each faced a choice in how to respond. Canada's federal deficit spiked to $327 billion —15% of GDP— as Canadian businesses and individuals were provided with direct payments to support them during the COVID-19 outbreak. This eased as public health measures were lifted in following years, but deficits have remained persistent. Alongside the sudden accumulation of debt, stimulus spending contributed to sharp price pressures that reignited inflation unseen since the early 1990s. Consequently, as interest rates rose to offset inflationary pressures, public debt charges began to increase.

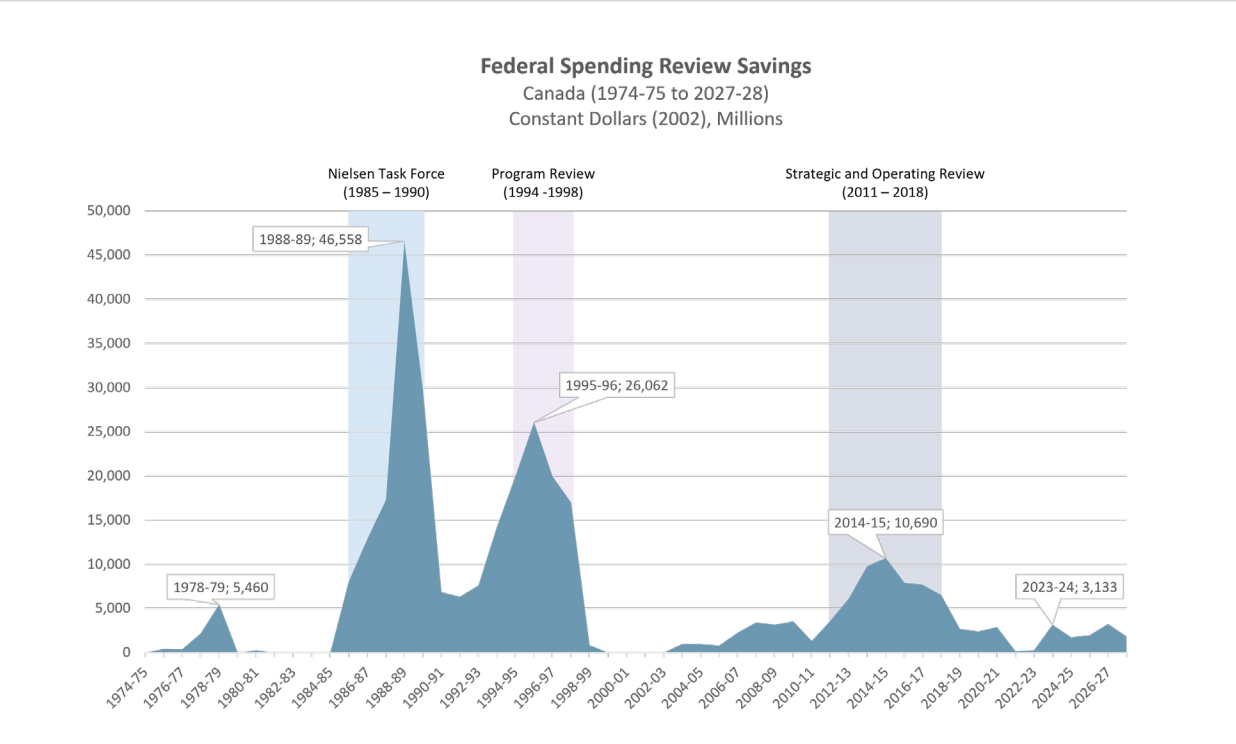
After early cuts to travel budgets and professional services during the pandemic, Budget 2023 launched spending reductions targeting $12.8 billion, the first formal return of spending reviews after COVID-19. Total announced savings measures since 2021 amount to just over $19.2 billion. While these reductions have been relatively substantial, they have mostly offset new spending announcements.



The Canadian federal state ended the period under discussion with real per-capita spending slightly greater than that of forty years earlier, with only the initial COVID-19 response period eclipsing that level. The right side of Figure 5 shows that real-capita spending increased from $5,125 in 1975-76 to $7,297 in 2022-23, with this end-year still slightly elevated as COVID-19 support programs wound down. The overall level of federal government programming increased very slightly in the past fifty years (0.8% annually) compared to the burgeoning expansion of the prior thirty years (3.8% annually), a striking difference.

Over the course of five decades, Canada has engaged in a remarkable series of spending reviews and supporting activity to manage aspects of its fiscal position. This has resulted in more than $331 billion in real cumulative savings (2002 constant dollars), an average of $6.6 billion annually. This history is presented in Figure 7.

**Figure 7 – Federal Spending Review Savings**




**Note:** This figure represents total values of spending reductions in effect each year. Several spending reductions could be operating simultaneously, such as those from the 2005 Expenditure Review Committee and those from Strategic Reviews in 2007-08 and later.

## Prominent Features of Spending Reviews

Over the past five decades, spending reviews have been used in a generally consistent manner as a signal that fiscal discipline is important. Language around spending reviews is about "managing better," in a "more businesslike fashion," with "less back-office," or "ensuring spending on higher priorities"—namely, efficiency. Effectiveness is less frequently raised.

Where reviews are not intended to contribute immediate and material fiscal savings, simple administrative mechanisms are used. The percent-based budget reduction, operating budget freeze, and wage freeze are tools in this arsenal. Specifically-targeted freezes or reductions address topical spending areas that often have a political link: travel budget, printing and publishing, professional services contracting.

In the case of edicts from central agencies, departments and appropriated agencies have their budgets reduced directly through the Estimates process. Separate agencies are strongly encouraged to abide by the spirit of the reviews and reduce their spending in a commensurate way. For smaller reductions, or budget freezes, departments generally provide no specific proposals to substantiate their reduction plans. They are simply left to manage internally. Detailed outcomes and effects are usually unknown outside individual organizations, except where they become the subject of public discourse or decisions, usually through happenstance or targeted interest areas. Strategic Reviews in 2007 and 2008 were exceptions since they yielded small savings, yet provided detailed program impacts.

Larger reductions entail greater administrative machinery. These are often led by the Treasury Board Secretariat and accompanied by Cabinet committee structures specifically anointed to review and approve specific recommendations. The largest may involve public consultation and private sector interests to generate ideas and proposals, especially where government corporations are considered. Private experts and academics are often called on for advice and, in some cases, provide direct administrative support to central agencies or individual government organizations. Professional service providers have delivered limited value in their review of savings proposals in the most recent decades. Detailed decisions were sometimes made public with lists of program reductions or eliminations.

Marquee spending review decisions —those with major political ramifications— are announced prominently in Budgets or Economic and Fiscal Statements. Where fiscal objectives are part of the public political discourse, follow-up accounting or tallying of savings often follow.

Where reviews are core elements of emergency deficit reduction, they typically exceed the established reduction targets. In some cases, they cut deep even where explicit targets have not been set. The largest three reviews of the past decades all exceeded initial expectations: Nielsen Task Force (1985), Program Review (1994), Strategic and Operating Review (SOR 2012). In the case of Program Review and SOR 2012, political support was high due to concurrent or recent crises (fiscal in one case, economic/financial in the other). Both also benefited from baseline information generated in recent comprehensive reviews that was readily available. These factors enabled rapid and relatively informed consideration of whole-of-government spending, mostly within a year of commencing the effort. The Nielsen Task Force reports led to major savings proposals, but the time to arrive at these reports and proposals was longer and consumed a greater proportion of government capacity relative to Program Review and SOR 2012.

Several spending reviews in the past five decades also concurrently examined or accompanied adjustments to the executive ranks of the public service. The organizing principle appears to be determining whether the executive ranks were disproportionate to the working levels. Wage constraint extended to the executive ranks since there is no executive bargaining unit, given executives' unrepresented status.

Spending reviews do not solve bad fiscal situations on their own. Where the goal is fiscal savings, they are always accompanied by revenue (tax) measures and machinery of government changes. Reviews otherwise tend to provide financial space for new spending, essentially shifting resources from lower to higher priorities. In many cases, spending reviews complement a package of other expenditure reduction levers such as:

- **Wages:** frozen increases or level increments, restricted wage growth, or job eliminations
- **Benefits:** pension eligibility changes, service accrual reductions (e.g. severance), health or dental changes
- **Inflation protection:** eliminating or reducing automatic increases in budgets to address erosion of purchasing power
- **Major transfers:** reducing or freezing growth in major transfers to provinces and territories, or people.

Along with tax measures, wage and benefit changes tend to affect a large base and can yield disproportionate fiscal space compared to individual program reductions. However, there is a tendency to reduce very large individual programs to achieve savings. National defence and international assistance spending were reduced several times over the horizon of this paper. This was achieved by reducing or freezing growth, or by direct reductions. Reductions of large programs do not always represent a shift in policy and appear to be a function of the size of the program relative to the overall budget; a government cannot safely achieve large broad-based savings without reducing its largest programs. Slight reductions of large programs can yield large savings figures in absolute dollar terms, which makes them more identifiable as a stand-alone element of program savings.

# Lessons from Past Spending Reviews

The great variety of reviews and their common features leave plenty of room for analysis and discussion. Important lessons derive from noting which information is not easily available when examining a half-century of review practices.

**Lesson 1: Review impacts are not well tracked or understood.**

This is true on at least two important levels: service-level effects, and federal workforce effects beyond counting job reductions.

**Lesson 2: Spending reviews have not presented detailed analysis of the service-level impacts to Canadians.**

In several cases, review announcements and documents stated that any service impacts will be marginal. Program Review went further and explicitly stated that certain services would be greatly reduced or eliminated. More recent reviews have expressed that greater back-office efficiency could lead to improved service levels. This may be true, but service-level tracking data is heavily fragmented or anecdotal, except in isolated cases where organizations specifically track service metrics. Public trust is fostered partly through transparency and accountability, yet the government has not been well-positioned to report and learn from spending review service impact tracking.

**Lesson 3: It is generally difficult to determine the impact of spending reviews on services to different populations in Canada.**

Vulnerable groups, regional disparities, BIPOC and 2SLGBTQIA+ populations may be affected quite differently by spending reviews. Until recently, the disaggregated data were unavailable to conduct such analysis, and they remain disconnected from program reporting structures that would make analysis easier.

**Lesson 4: Program reductions tend to be undone over time.**

In some cases, such as at National Defence in the 1990s, this responds to deeper-than-intended cuts. In others, programs listed for elimination reappear a few years later. It is natural for people running a program to become invested in it and advocate for the program's return. Clarity and decisiveness are important when exiting lines of business, as is good data so that look-alikes do not simply re-spawn unless required.

**Lesson 5: Spending reviews affect the federal workforce through job losses, expected productivity gains, uncertainty around change, and other morale-related considerations.**

The nature of spending reviews does not lend itself to analyzing these impacts in detail before reducing spending. Some data exist to show the absolute change in workforce composition and levels (executive versus other classifications, gender, minority status, etc.), but only in more recent decades. There is no public tally available of the rate of job losses or voluntary departures for minority groups of federal employees. Such information could inform the design and implementation of spending reviews to mitigate unwanted consequences.

Questions should be posed about the composition of executive leadership for the public service. What is the value-added expected from executive leaders—strategic direction and execution, administrative efficiency, or some mix of these? What are the financial and developmental incentives for staff to pursue EX leadership roles and do these attract the best people? Are working-level employees empowered to carry out their duties without escalating decisions that require judgement? Such questions are important to determining the shape and aftermath of spending reviews.

Similarly, other questions could be posed to better understand the overall change management required in a spending review. Do rates of harassment, sick leave, performance ratings, malfeasance, contracting errors, or other factors change in response to spending reviews? One could argue that these effects could not be solely attributed to spending reviews, but the goal is not precision. Data collected consistently over time will tell a story and permit deeper inquiry into these behaviours. Rather, understanding changes in behaviour that tend to be seen during and after spending reviews can aid in planning and communication.

### Lesson 6: Several second-order observations from this review have implications for how future spending restraint may be carried out.

These observations are not directly related to the mechanics of reviews, but could constrain fiscal or other policy in a way that changes the shape or importance of spending reviews. The following observations fall into this category.

### Lesson 7: Canada is unlikely to further increase free trade in the same dramatic manner as with the 1991 launch of the North American Free Trade Agreement (NAFTA).

Canada resolved its pre-Program Review fiscal predicament by increasing revenues as much as by reducing spending. NAFTA significantly grew commerce with our largest trading partner. Current global trends point to reduced integration of trade and greater self-reliance, challenging significant expansion of trade. Trade could be increased through aggressive policy and regulatory choices, yet with implications for national security and possible negative impacts on domestic economic makeup.

### Lesson 8: Raising consumption taxes (i.e. HST) remains a broad-based option for increasing revenue.

Small increments would result in large revenue changes that reduce deficits if not spent elsewhere. A 1% increase in federal sales tax was used in 1984, for example.

### Lesson 9: Canada's public service uses roughly the same labour mix to run its programs as it has since 1946.

Since the second world war, the number of federal public servants serving each Canadian has been remarkably stable at roughly 1:100, except during the expansion and wind-down from 1970 to 1995. The compensation share of overall government spending has also been stable at 15%, with the same exception.

Technological developments during the past 80 years, if not the past 30 years, should have reduced the labour requirement. Computers, digital automation, and internet communications have made direct services easier to provide to Canadians. Forms and databases automate many tasks with higher accuracy, e.g. security checks, benefit applications, tax returns. Yet, the same number of Canadians is served by each public servant after decades of efficiency measures in spending restraint. Why is this? An un-nuanced early result appears to be that programs are more complex, as is the work to deliver them, even while the inflation-adjusted value delivered to each Canadian has not changed much in the last fifty years. However, some of this complexity may be unnecessary.

### Lesson 10: Federal operations have legislative or policy barriers that reduce the full benefit of technological advances and maintain or increase complexity.

Some of this is by convention or choice. Technology improves processing speed, breadth of awareness, connection across independent domains, but only where information is linked in relevant ways. Where information is not linked to goals that are important to Canadians (for individual services) or to government (for learning, planning, operations), technology can only improve existing approaches. Government may improve what it has always done, but it may not identify new approaches that span the enterprise. Whole-of-government data sharing, with safeguards, would help capture the benefits of ongoing technological change on a large scale. Addressing this may require re-examining decentralized accountabilities for finance, HR data and prescribing firm policy directions.

# Future Spending Reviews

## Questions to Aid Their Design

Spending reviews generally follow a familiar recipe and techniques at each incarnation. Nonetheless, perhaps the most important questions to ask before launching a new review are more fundamental:

1. **What is the objective—fiscal savings, fiscal discipline, both, or neither?**
2. **Does the review recipe fit this objective? Do we need to go beyond what is usually done?**
   - For example, does the review base set us up for success? In the past two decades, review bases have focused on Direct Program Expenses (DPE), saving 12% at the peak of the Strategic and Operating Review. Yet DPE at that peak was $109 billion, while Total Program Expenses were $253 billion. Will saving a fraction of a small portion of total spending realistically get us to a large fiscal objective?
3. **Knowing what would be required to meet the objective, do we have the necessary political support?**
4. **Do we have the right information and perspectives to meet the objectives?**
   - The most probing reviews in the past five decades benefited from off-the-shelf detailed sources of information about government business. Nielsen Task Force reports informed Program Review, while Strategic Reviews informed the Strategic and Operating Review. The system had recent internal information and experience to support its efforts.
   - Can external experts provide helpful new perspectives and ideas? Sticky problems benefit from diverse thinking generated through a variety of channels.

Beyond this internally focused perspective, there are also broad questions that should be asked:

5. **Has the nature of the world, country, public service, economy, or social contract changed in a way that affords new opportunities or constraints?**
   - Will disruptors like artificial intelligence amplify the productivity of public servants, leading to a shift from people to automated services/operations? Have other disruptors emerged that the government has not considered or taken advantage of?
   - Have we entertained moon-shot ideas whose return-to-risk ratio is high relative to the investment?
   - Do removable barriers prevent us from delivering programs better? Do we have the insight and legal power to remove them? Are we using our powers appropriately to achieve this?
6. **Will the work and findings of the review allow others to learn from it in a meaningful way?**
   - Does review data align to government financial structures and reporting?
   - Are the proposals captured at a level of detail that permits accountability?

Answering these questions can help determine the level of effort and focus that will go into planning a spending reduction with the desired effect.

## Directions for Successful Review Operations

Successful reviews are built on good information. The best reviews organize information flexibly and transparently, and invest in doing so at the outset. This supports the natural progression of spending reviews: proposals are developed, discussed, decided, and then reported, with iteration between these steps once proposals are better understood.

The following directions and advice on how to execute a successful spending review are based on examining the past five decades of spending reviews as well as the lived experience of the contributors:

**Direction 1: Assign a dedicated leader who understands both the department's business and how data supports analysis and reporting. Assign them capable data analysts to support their review.**

Leaders with keen knowledge of a department will quickly draw links across business lines. This will facilitate discussion and organization of review proposals. Their presence and knowledge will reduce adverse 'gaming' behaviours such as 'proposing the uncuttable program', downloading responsibilities or impacts to other groups, or others. Similarly, they may identify emerging opportunities or innovations that are only apparent when considering the entire departmental portfolio of proposals.

This leader's experience with data analysis and reporting should enable them to drive standardization across the organization. **Data organization can be slow in the initial stages. It is important to provide sufficient patience and time to allow this work.** Supporting such a leader with capable data analysts who can process and automate review-related data and reports will position a department well to consider the proposals and to make informed decisions. This is an investment that will permit easier and faster analysis at later, higher-pressure stages of proposal reviews or presentations to central agencies. Standardized reporting will also make decisions clearer to those who must implement them.

**Direction 2: Establish a departmental working group to drive consistency and surface insights.**

Every departmental spending review effort needs a focal point. Establishing a working group led by the executive responsible for the spending review design and delivery is an effective way to speed up the review cycle and focus work on higher-value aspects of the proposals. This drives credibility within the department and when reporting to central agencies or ministerial bodies considering the proposals. Such a working group can also reduce administrative work by specializing in the review information and generating standardized reports for all implicated departmental teams.

**Direction 3: Organize review data in a way that is resilient to change. It will save time, resources, and yield a clearer set of outcomes that can be acted upon.**

The starting point for operating a successful review is the information framework that will be applied. Two things are necessary for a good data foundation:

1. Make review data useful to the department itself by mapping departmental reviews against the activity framework used in the department. This will facilitate accountability and action associated with any review proposals and decisions by aligning them with financial and human resource data.

   Departments can map to additional activity frameworks if they wish to examine review proposals in different ways that wouldn't normally be rolled up at a government-wide level. Examples could be listing stakeholder groups, whether an activity is part of a signature strategy or transformation, or other department-specific considerations. This makes for easier analysis of proposal impacts on important departmental initiatives.

2. Make review data useful for government-wide analysis by mapping departmental reviews against the currently approved activity framework of the government. In 2024, this would be the Department Results Framework and Program Inventory.

**Direction 4: Assume that review proposals will require detailed impact information.**

Review proposals will be considered through various filters: operational, policy, service impacts, fiscal, and ultimately political. This will be true of individual proposals and government-level outcomes. To meet this challenge credibly, each review proposal should include standard information to understand its impacts. This should include:

1. **Program result indicators, especially for services:** past and current targets and results.
2. **Disaggregated HR data** linked to the same activity structure as the review proposal. Ideally, this would come from MyGCHR and similar systems that contain data at an individual level—work location, employment equity declaration, classification and level, years of experience. Such data would permit geographic employment impacts, DEIA impacts on the federal workforce.
3. **Disaggregated financial data** linked to the same activity structure as the review proposal. This must include Estimates detail such as the source Vote for any spending, significant capital components, whether the program would naturally sunset, and details on what portion can be considered back office or internal service functions.
4. **Stakeholders external to government,** including populations of specific interest. This information will permit politically sensitive evaluation of impacts by ministerial bodies when considering proposals. This could also take the form of analytical studies examining socio-economic impacts of program changes, though the review development cycle is typically too short to conduct detailed analysis in advance. Detailed summary statistics of vulnerable population impacts from review proposals could be assembled if sufficient disaggregated data are available from program operations.
5. **Stakeholders internal to government.** This will permit evaluation of impacts/links with other government work that may not be apparent from within the department.

# Spending Reviews and Restraint Efforts: A History

## Post-Glassco Era (1970-1985)

> In Canada, [...] the government's financial controls and accounting systems are cumbersome, with a multiplicity of checks, counter-checks, and duplication; and blind adherence to regulations is too often given precedence over efficiency and despatch. This ponderous system, virtually unchanged in the past thirty years, is regarded by many as the price that must be paid under democracy in order to hold public servants properly accountable. **The fact is that the present system, with all its excessive elaboration, fails even in that aim**. Inadequate delegation of authority, divided responsibility, all the duplicate and repetitive checks, make it virtually impossible to assess responsibility for error or inefficiency in such a way that the public servant can be held accountable.
>
> —The Royal Commission on Government Organization[iii] (*The Glassco Report*), 1962

### Context

Fifty years ago, contemporary Canada had just turned 100. Canadians were converting to the metric system en masse, Vancouver became host to a new hockey team called the Canucks, and the CN Tower would shortly rise above Lake Ontario. Despite the high point of Expo '67 in Montreal, the country was about to experience a decade of precedents that included the collapse of oil prices, the October Crisis, and the invocation of the *War Measures Act* by then Prime Minister Pierre Trudeau. The Cold War raged on.

In all corners of the country, and Ottawa in particular, economic headwinds had started to form, and our young nation was soon to face challenges unique to the global context of the time: Canada, alongside other western nations, experienced a period of recession concurrent with high inflation starting in 1974. By 1975, real gross national product (GNP) growth in Canada had been in decline for two consecutive years and inflation was on the rise. Price inflation was above 10%, and new collective wage agreements were in the 20% range, whereas unemployment had risen to seven% . The federal debt-to-GDP ratio stood at 18.4%—a post-war low.

The Government of Canada introduced policies intended to stimulate the economy and reduce the pressure on households, primarily consecutive annual tax cuts in 1976-1978. This included an Anti-Inflation Program (AIP) introduced in late 1975 comprised of four elements:[v]

1. **Fiscal and monetary policies** to increase total demand and production at a rate consistent with declining inflation.
2. **Government expenditures policies** aimed at limiting the growth of public spending.
3. **Structural policies** to deal with the special problems of energy, goods and housing intended to improve labour management relations.
4. **A prices and incomes policy** that established guidelines for responsible social behaviour.

The AIP wound down starting in 1978. Modern reviews of this program suggest that "while inflation was certainly reduced over the first three years of the AIP, the implicit targets for the three years of the program were not met. More importantly, rather than stabilizing or declining further after the termination of the price controls element of the AIP, inflation rose back to 10+ percent levels over the three years following 1978."[vi]

Meanwhile, deficits reached 5.3% of GDP in 1978-79 and the debt-to-GDP ratio jumped to 26.7%. Growing deficits and higher interest rates contributed to a vicious cycle of borrowing to fund structural operating deficits.[v] Sequential years of high spending growth (e.g. 28% in 1974-75, 18% in 1975-76) did not calm this.

## Major Developments in Expenditure Management in the 1970s

Prior to 1976, policy priorities and expenditure priorities were not considered together by Cabinet, despite the establishment of the Planning Programming Budgeting System (PPBS) in 1969.[vi]

In response to rising economic pressures, a 1975 white paper entitled Attack on Inflation enshrined expenditure management as one of four core elements of its plan and committed to "hold the growth of federal government outlays with the rate of growth of the economy as a whole[vii]."

By 1976, public documents stated that the "Treasury Board itself is reviewing all proposals for increased expenditure before they are approved by Cabinet" and a new Royal Commission on Financial Management and Accountability (the Lambert Commission) was struck.[viii] By 1979, its final reports were released, recommending several measures to strengthen parliamentary control over government expenditures, and to limit the growth in public service ranks. It is also credited with taking the Glassco recommendation to "let managers manage" one step further, stating "the managers of government…*should be required* to manage (their responsibilities) in a way that will best serve the public interest."[ix]

As a response to the Lambert Report the government published the New Expenditure Management System in December 1979[x], as a companion document to the Budget of the same year. It called for a shift in focus "from questions of quantity to questions of quality" and proposed a new system directed to that task[xi]. Though the budget did not pass that year—the government was defeated in a vote of confidence—this system endured.

The principles-based system proposed two major reforms: 1) the preparation and publication of long-term fiscal plans showing revenues and expenditures over five years, and 2) The establishment of specific expenditure limits for policy sectors, related to established priorities.

In 1982, the Canadian economy entered its second recession in three years. Inflation was over 12% and unemployment reached a post-war high of 8.6%. Growing public debt charges, resulting from rising interest rates more than expenditure increases, were driving up the deficit. Pressure continued to mount for further stimulation and increased spending[xii].

The budgetary deficit doubled to 32.4 billion and rose to 7.9% of GDP while debt-to-GDP ratio grew to 38.2%.[xiii] In response to the fiscal situation, spending restraint efforts sought to slow growth in government spending through broad measures of relatively small scale. The goal was to restrain spending while allowing economic stimulus to work.

| Summary of Measures Taken | |
|---|---|
| **1975** | • In October 1975, the Government of Canada announced an Anti-Inflation Program (AIP) following the publication of a white paper entitled *Attack on Inflation*. Subsequently, the Anti-Inflation Act was put into force, granting the government the ability to legally enforce price, profit margin and compensation guidelines under regulation.[xiv] |
| **1976-1979** | • Reductions in planned spending growth (fiscal framework reductions), salary and operating budget freezes. Budget 1976 aimed for 1.5% growth limit on public service. Budget 1977 targeted $650M less in planned spending, but reduced taxes in a similar amount.<br>• The government announced its intention to phase out price controls in October 1977[xv], to begin in April 1978. At the time, over half of Canadians supported the program, and more importantly, an increasing number of Canadians believed their standard of living had gone up, relative to the year before. |
| **1978** | • $2 billion cut from current and planned spending intended to fund new initiatives were publicly announced by the Prime Minister, catching the Finance Minister off-guard.[xvi] |
| **1979** | • Proposed tax increases (increase revenues). |
| **1980** | • Increased revenues, primarily through the launch of the National Energy Program. |
| **1981** | • Budget 1981 avoided spending reductions but revenues increased due to tax increases. Canada Post became a Crown corporation. TBS identified $100M in back office savings. |
| **1982** | • The Government committed to limiting expenditure growth to GNP growth. |
| **1984** | • The Ministerial Task Force on Program Review is struck, led by Deputy Prime Minister Erik Nielsen, to undertake "the most comprehensive and detailed examination of government programs ever carried out by a Canadian government."[xvii] |
| **1985** | • Based on initial recommendations by the Nielsen Task Force, a few activities began in 1985 following its tabling as an annex to the Budget in May. These include:<br>◆ Removing automatic increases for departmental budgets based on inflation.<br>◆ Reducing the size of the public service.<br>◆ Cash management strategies to require for-profit Crowns to pay dividends.<br>◆ Reducing subsidies to VIA Rail, the Canadian Mortgage and Housing Corporation (CMHC), CN Marine and the CBC.<br>◆ More rigour regarding the review and disposal of real property, and new user fees.<br>• Approximately 25% of savings were to be derived from "more businesslike management practices". Budget 1985 and the November 1984 Economic and Fiscal Statement implemented consequential program cuts specific to agriculture, energy, international assistance, fisheries, regional industrial expansion, training, and transportation.<br>• Based on specific recommendations related to taxation, the government also removed sales tax exemptions on candy, soft drinks, pet food, goods related to energy efficiency, and beauty and health goods. |

## Review Base

Budget 1985 notes that reductions were calculated on the basis of Main Estimates. Budgetary expenditures related to 1986-87 were $116.6 billion.

## Scope

Budget documents offer the best insight into the scope of reviews during this period. The approach taken in each year's reduction efforts offer some insight into the likely scope: operating budgets, public sector salaries, and revenue increases. It is unclear what programs were out of scope, though familiar exclusions were likely at play, such as major transfers to provinces, territories and individuals, and regional development funding.

## Methodology

Public and internal consultations characterized the development of options for portfolio-specific cuts recommended by the Nielsen Task Force. Consultation papers were developed on various aspects of change, such as private involvement in export financing or developments in training programs. In some cases, these resulted in specific private-sector proposals that were adopted.

Operating budget freezes and wage freezes suggest that similar mechanics unfolded as in present day, with some evidence to suggest this. Centralized methods would have been the most direct for freezing operating budgets, namely having Treasury Board Secretariat calculate and fix the operating budget ceilings.

Wage freezes similarly would have effects specific to individual departments, primarily in turnover and attrition. In contrast to constrained wage growth in the 2012 Strategic and Operating Review, wage freezes imposed zero growth in a period of high inflation, amounting to a significant cut in real wages. With respect to the sale of Crown corporations or other corporate holdings, the Task Force took a principles-based approach.[xviii]

Many of the efforts undertaken to inform the Nielsen Task Force were supported by associated ministerial task forces and consultation tables. Privatization discussions, for example, were led by a Ministerial Task Force headed by the President of the Treasury Board and supported by a dedicated TBS team.[xix]

## Results

### Fiscal Savings

Early efforts in the 1980s to reduce spending or increase revenue slowed the growth of public debt, but not meaningfully. Later efforts increased revenues and recognized that that spending cuts alone could not address the significant deficits. This led to a productive review of the portfolio of Crown corporations.[xx]

The Nielsen Task Force targeted significant fiscal savings from government-level management that were announced in Budget 1985 and the November 1984 Economic and Fiscal Statement, the largest components of which were reduced departmental 'escalators' for inflation and workforce reductions. Inflation reductions appeared to remove approximately 1.5% to 2% of previously structural growth on departmental base funding.

## Nielsen Task Force Management Savings

| | 1985-1986 | 1987-1987 | 1990-1991 |
|---|---|---|---|
| | *(millions of dollars)* | | |
| Reduced allowance for inflation | 233 | 528 | 915 |
| Public service rationalization | 0 | 150 | 480 |
| Reduced contingencies | 433 | 446 | 400 |
| Cash management | 414 | 233 | 190 |
| Real property management | 105 | 310 | 50 |
| Cost recovery | 0 | 65 | 215 |
| Sub-total | 1185 | 1732 | 2250 |
| November reductions *(excluding tax revenues)* | 1007 | 931 | 1 150 |
| **Total** | **2192** | **2663** | **3400** |

*Source: Budget 1985*

Program savings of even greater consequence were announced, effectively reducing subsidies and direct supports in a wide portfolio of government involvement. These changes were depicted as a greater market orientation intended to position Canada for stronger economic growth.

## Nielsen Task Force Program Savings

| | 1985-1986 | 1987-1987 | 1990-1991 |
|---|---|---|---|
| **May 1985 budget** | | | |
| ***Budgetary savings*** | *(millions of dollars)* | | |
| Agriculture | 50 | 50 | 50 |
| Energy, Mines and Resources | 152 | 933 | 1,125 |
| Aid | 0 | 50 | 0 |
| Fisheries and Oceans | 0 | 25 | 25 |
| Regional Industrial Expansion | 100 | 150 | 150 |
| Training | 78 | 0 | 0 |
| Transportation | 75 | 200 | 600 |
| Sub-total | 455 | 1,408 | 1,950 |
| Non-budgetary savings | 65 | 74 | 0 |
| **Total program savings** | **520** | **1,482** | **1,950** |
| **November 1984 Economic and Fiscal Statement** | | | |
| Budgetary | 2,187 | 2,061 | 2,050 |
| Non-budgetary | 625 | 500 | 500 |
| Sub-total | 2,812 | 2,561 | 2,550 |
| **Total program savings** | **3,332** | **4,043** | **4,500** |

*Source: Budget 1985*

### Machinery Changes

Various machinery changes were made, primarily the privatization of Crown corporations as detailed in Budget 1985. Consult the Machinery section of the Nielsen Task Force overview for quick reference.

## Lessons Learned

**Lesson: Lack of diverse perspectives on fiscal management.**

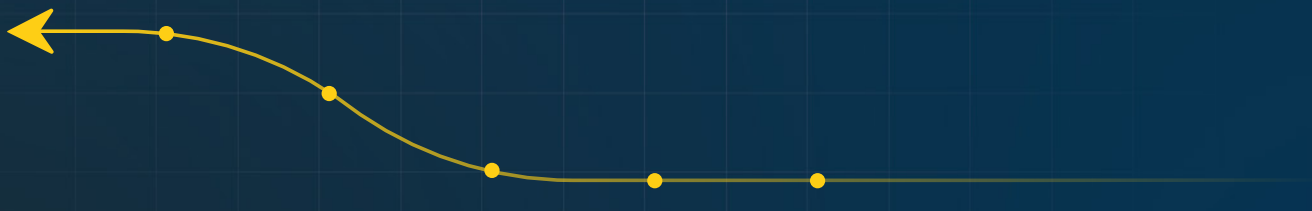
Business and economic lobbies pushed for economic stimulus and growth to solve the growing debt problem. Infrastructure and industrial innovation supports contributed to deficit at a time of rising debt costs (through 1983). Without competing perspectives, this narrative led the government to undo tax increases and continue stimulus spending.[xxi] Evidence in other jurisdictions suggested that this path would not resolve the deficit. The Canada Business Council provided one dissenting set of expenditure reduction proposals that was reminiscent of the cuts that arrived in the later 1980s.[xxii]

**Impact on services to Canadians:**

Budgets in the earlier part of this era did not talk about service impacts. They spoke obliquely to delays or curtailments of "useful and desirable programs".

**Impact on government operations and expertise:**

Slower operating budget growth through workforce caps or inflation growth caps had the effect of reducing growth in the workforce. In some cases, cuts or freezes announced in the Budget were amplified mid-year by the Economic and Fiscal Statements, subjecting workers to a less-predictable planning environment. There is little direct discussion in budget documents of the impact of this environment on employee workload, morale, or departures.



# The Nielsen Task Force on Program Review (1984-1986)

We're not going to be bamboozled by a bunch of self-centred, boggy-brained public servants who are skilled at manipulating Cabinet ministers like marionettes. We're going to give them each a budget and orders to live within, something they've never dreamed about, much less done. **And when they can't deliver, they'll be given their pink slip and a pair of running shoes.**

—Brian Mulroney, running for the leadership of the Conservative Party in 1983, before becoming Prime Minister in 1984

## Context

The Ministerial Task Force on Program Review (the Nielsen Task Force), led by Deputy Prime Minister Erik Nielsen, was created by newly-elected Prime Minister Brian Mulroney in 1984, taking office at a time where Canada's debt and deficit was already severe. As noted by former Clerk of the Privy Council, Jocelyne Bourgon: "the government's budgetary deficit reached 8.3% of GDP in 1984-85. With programme spending expanding rapidly and public debt charges consuming an increasing portion of revenue, public debt grew by an average of 25% per year between 1980-81 and 1984-85, reaching 43.2% of GDP in 1984-85[xxv]."

Officially struck in September, Deputy Prime Minister Erik Nielsen began an ambitious program of comprehensive reviews, spanning nearly two years. The effort was prodigious, and produced multiple volumes of recommendations, across all sectors.

Alongside the Economic and Fiscal Update, the finance minister tabled *A New Direction for Canada: An Agenda for Economic Renewal*, calling it "a statement of national purpose[xxvi]." The document provided a useful overview of the challenges and key opportunities in each of the major areas under review and forecasts the lines of inquiries taking place in discussions at high levels. It likewise gives a sense of the scale of future recommendations.

The Economic Update tabled at the same time anticipated that the Program Review would achieve $4.2 billion in expenditure reductions and revenue recovery measures in the ensuing 12 months. Of this, $700 million was attributed to "overhead reductions and general restraint measures[xxvii]."

The Agenda categorically stated that future decisions on spending would be fair and open, while "ensuring maintenance of the social safety net" and that "there is no hidden agenda for expenditure cuts[xxviii]"—signalling that the findings of the Task Force would be made public, and subject to thorough discourse in order to build a national consensus.

But critical assessment by the public of those findings never transpired. Though several volumes were produced and publicly released by the Task Force, any internal deliberations amongst Cabinet were not shared publicly. Anecdotal accounts suggest decisions made behind the scenes did not generally respond to recommendations, but instead to the political objectives prioritized by Cabinet ministers[xxix]. Where discussions were held through 1985 (notably, at a conference of First Ministers in February, then at a national economic conference in March), solutions and consensus were not reached, even if all could agree on the problem of worsening economic conditions[xxx].

On March 11, 1986, final reports were issued by the Nielsen Task Force, calling for substantial subsidy reductions, spending cuts, machinery changes and privatization amounting to between $7 and $8 billion.

Deputy Prime Minister Nielsen, considered a very close confidant of Prime Minister Mulroney, became increasingly embroiled in political scandal over this period, made worse by his extreme distrust of media, and a persistent refusal to answer questions. By 1986, Nielsen was forced to resign his Cabinet post, and by 1987, had left politics completely, publishing an autobiography in 1989 called *The House Is Not a Home*[xxxi].

## Summary of Measures Taken

| | |
|---|---|
| **1984** | • In November, *A New Direction for Canada: An Agenda for Economic Renewal* was issued with the Economic and Fiscal Statement. The document identified many of the key policy areas, challenges, questions, and directions to be considered in the review that followed.<br>• The Economic and Fiscal Statement issued at the same time included several expenditure restraint announcements, including:<br>◆ Reduced ministerial pay for the prime minister and Cabinet ministers, to be reduced by 15 and 10% respectively over two years.<br>◆ Parliamentary expenditure reductions.<br>◆ The federal sales tax was increased by 1% (effective October 1984).<br>◆ The Unemployment Insurance premium rate was to be kept relatively constrained to the minimum rate required by law. |
| **1985** | • The 1985 Budget began announcing preliminary results of the Nielsen Task Force review, including:<br>◆ A commitment to review the "complex scheme of grants, tax incentives, loan guarantees and other means of subsidizing business investment" to prevent projects from accessing incentives from multiple programs.<br>◆ A refocusing, under the new Labour Market Strategy, to align federal training programs with the labour market needs of the time.<br>◆ A new commodities development strategy for agriculture.<br>◆ 15,000 public service jobs to be eliminated in the following six years.<br>◆ A review of the Crown corporations for the purposes of identifying those to sell or streamline. Those identified for sale included the Northern Transportation Company Limited, the Teleglobe Canada, Canadian Arsenals Limited, and the Canada Development Corporation. The 1985 budget described how this particular review would be supported by a special secretariat and guided by high-level principles (page 28 of the 1985 Budget).<br>◆ Pensions of Members of the House of Commons and Senators would be reviewed, and full indexation of pensions ended.<br>◆ Old Age Security and Family Allowance indexing was capped at 3% per annum. |

## Review Base

All government spending, including the unemployment insurance program.

## Scope

Under the Nielsen Task Force on Program Review, all programs were considered in-scope to "... eliminate unnecessary activities, get rid of unproductive duplication and increase efficiency in government activities so that service to the public is improved." However, Budget documents published at the time indicated that the social safety net would not be adversely cut.

According to the 1984 *New Direction for Canada: An Agenda for Economic Renewal*, the goal of the review was to:

1. Reduce the deficit
2. Remove obstacles to private sector growth
3. Foster positive growth in investment, R&D and exports, focusing on small and medium-sized business.

To achieve this, the Nielsen Task Force's scope included "the four pillars of private sector growth:"

1. R&D, Innovation and Technology Diffusion;
2. Export Markets and Financing;
3. Private Sector Investment; and
4. Labour Markets and Human Resources.

Special consideration was also given to how best to adapt to economic and technological change, as well as the regional dimensions of growth and competitiveness. The review was also to consider the government's direct role in the economy with respect to regulation and intervention, and to focus specifically on energy policy as an area ready for comprehensive review.

The Agenda document released in 1984 was a useful discussion piece that set out the key considerations in each of the policy areas under review: New Direction for Canada: An Agenda for Economic Renewal.

## Methodology

> The mandate of the study team was to produce an inventory of government programs with special concern for identifying duplication, waste and inefficiencies. It is our hope that study team proposals to the Task Force will produce a system that, first, is simpler to understand and more accessible to the Canadian public and, second, **contributes more effectively to the achievement of national economic and social objectives**.
>
> —Nielsen Task Force on Program Review, An Introduction, 1986

Called "the most comprehensive and detailed examination of government programs ever carried out by a Canadian government" in the 1985 Budget,[xxxiii] the exercise was led principally by Erik Nielsen (Chair), with the support of Michael Wilson, Minister of Finance, Robert de Cotret, President of the Treasury Board, and John Crosbie, Minister of Justice. There was likewise a Private Sector Advisory Committee chaired by Phillip Aspinal of the Canadian Institute of Chartered Accountants[xxxiv].

The Nielsen Task Force involved 19 or 20 distinct study teams, organized by program area. Each team included between 6 and 20 persons from the public and private sectors. Public servants were seconded as needed, and private sector participants were not remunerated. Program areas were reviewed sequentially, and up to five teams were operating at any given time. Each study team took between 3 and 4 months to complete its report. Teams reported to the Private Sector Advisory Committee and the Committee of Ministers as reviews were completed.

Study teams were somewhat autonomous. Each team sought to answer common questions, but teams were not limited to past methodologies used in past evaluation exercises, nor questions that simply confirmed existing evaluation results. The teams sought to answer questions like:

- Why is this program needed?
- Who benefits from it?
- Why does the government have to provide the good or service?
- Is the program duplicating some other government activity such as a tax expenditure or regulation?

Research notes that the Nielsen Task Force study teams often found reason to critique the existing evaluation data made available to them. One reason for this could be the high-level nature of these lines of inquiry, alongside the fact that many of the existing evaluations within departments were not recent and had been prepared to respond to entirely different questions and political contexts.

When the Neilsen Task Force study teams reported that existing evaluations did not yield answers to the lines of inquiry, the important context that evaluations **had not been designed to respond to those questions** was frequently omitted in media coverage at the time.[xxxv] Moreover, evaluations used in the Nielsen Task Force's review were not subject to approval by the Comptroller General or his office, which had been established in 1978 as a distinct entity reporting to the Treasury Board, and responsible for program evaluation[xxxvi].

Divestiture options were considered and supported by a Task Force on Privatization led by a senior official within the Treasury Board Secretariat. This task force developed a privatization action plan considering six points of principle in developing options[xxxvii].

## Process

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## Results

### Fiscal Savings

While the full scope of the Nielsen Task Force's recommendations identified between $7 and $8 billion in potential savings, discretionary program spending declined by only $530 million in 1986-87, though it did represent the first absolute decline in total program spending in two decades [xxxviii].

### Worforce

- Significant reductions in workforce were targeted through a reduction in salary budgets. Budget 1985 specifically identified a 2% reduction starting in 1986-87 and 1% annually until 1990-91. Forecast full-time equivalent (FTE) reductions were 15,000 over the period.

### Machinery Changes

- Though Canada announced its intentions to examine divestiture in the November 1984 Economic Statement, Budget 1985 forecast the sale of several crown corporations by the end of the year: Northern Transportation Company Ltd, Canadian Arsenals Ltd, Teleglobe Canada, and the federal share of Canada Development Corporation.
- Additional corporations and entities no longer serving public policy were wound up through legislative and other means: Canadian Sports Pool Corporation, Loto Canada Inc., and Canagrex.
- Other inactive organizations were wound up through legislation: Uranium Canada Ltd, Mingan Associates, Societa San Sebastiano, CN (West Indies) Steamships Ltd, and St. Anthony Fisheries Ltd.

# Lessons Learned

Ambitious reforms require political commitment and political will at the most senior levels; tapping the best available knowledge in the public sector; and building consensus and the support needed to ensure successful implementation. **Implementation is the true measure of a policy decision.** These lessons would be put to good use in later years.

—The Honourable Jocelyne Bourgon, P.C., O.C.

The Nielsen Task Force marked the beginning of a new skepticism with program evaluation in more ways than one. The Task Force's consultations across federal departments indicated a general distrust of program evaluation. The report of the Task Force stated blatantly that "many study teams reported that routine government program evaluations were generally useless and inadequate."

The Task Force concluded that program evaluations tended to be self-serving because they were usually sponsored by deputy ministers who had a vested interest in the outcome, and because they tended to be formative rather than summative. The criticism of program evaluation came equally from the conservative side of the political spectrum. David Zussman, who supervised the transition from the Conservative to the Liberal government in 1993, had written that evaluations have tended to result in changes to official forms and program rationales, but have not generally resulted in improving the programs themselves [xxxix]."

## Post Nielsen Era (1986-1993)

We, as Canadians, have a serious problem: our large and growing public debt. In the time it takes to present my budget, that debt will grow by $3 million. By this time tomorrow, the debt will be larger by more than $80 million. In just two weeks, it will have grown by more than $1 billion.

—Finance Minister Michael Wilson, 1989 Budget Speech[xli]

### Context

After the Nielsen Task Force reports, the need for expenditure restraint continued to rise. Between 1985 and 1987, across-the-board cuts and management initiatives were launched almost annually, sometimes with tax increases to raise revenue. These measures had begun to stabilize federal deficits, but economic conditions remained soft in the later part of the decade and were about to worsen considerably.

Thus, in 1986, even as the Nielsen Task Force study teams finalized their reports, the government announced extensive expenditure reductions and across-the-board cuts, under the auspices of its economic agenda, with the ambitious goal of restoring "fiscal stability by the end of the decade[xlii]." It would not achieve that goal.

By 1990, the persistent inflation of the 1970s and 1980s had pushed the consumer price index to a level nearly four times as high as in 1970[xliii]. In February 1990, the Expenditure Control Plan was presented in the federal Budget[xliv] with the goal of cutting the deficit in half by 1993-94 without increasing taxes. The plan excluded "income support programs for seniors, families and veterans, unemployment insurance, as well as the equalization program and Canada Assistance Plan payments to lower-income provinces[xlv]."

Worsening global economic conditions and rising interest rates pushed the fiscal targets even further, and multilateral institutions such as the IMF and the OECD, as well as Canada's domestic business community, heightened their calls for action.

By the early 1990s, public opinion polls showed Canadians' concern for the deficit and the economy was high[xlvi] and trust in the Prime Minister and his ability to fix the economy was very low[xlvii].

In the 1991 Budget, the Expenditure Control Plan was extended to 1994-95[xlviii]. This budget also articulated the government's intention to legislate spending, via the Spending Control Act, which passed in 1992. At the time, the Act imposed mandatory limits on some 85% of program spending. Any spending above those limits needed to be offset[xlix]. Spending limits further tightened in the 1992 Budget to reflect full funding of pensions and restructuring of the child benefit system[l].

Also part of the Expenditure Control Plan was the 1992 Debt Servicing and Reduction Account Act. This Act created the Debt Servicing Reduction Account and enshrined in law that all net revenues from the GST and proceeds from privatization and gifts would be used entirely to pay interest on the national debt, and eventually, the debt itself[li]. It was repealed in 2003.

As the recession took hold in 1991-92, the government continued to struggle with its rising budgetary deficit despite fiscal restraints, including cutting departmental operating budgets and freezing public service salaries[lii] in the face of inflationary pressures on wages. Negotiations with the largest union, PSAC, broke down in 1991, and the union called for a nation-wide strike—the largest national strike by a single union. The strike was ended by back-to-work legislation.

The budgetary deficit continued to rise in the early 1990s, reaching 5.6% of GDP in 1992-93. By the end of 1993, Canada's debt-to-GDP had reached 64%. Servicing that federal debt consumed roughly 35% of the revenues of the Government of Canada, up from 11% in 1974-75.

Between 1984 and 1993—largely in response to changes in the fiscal outlook—the government made a total of 22 budget cuts[liii] Prime Minister Mulroney stepped down in February 1993 with the lowest job approval rating since polling began in the 1940s[liv]. The 1993 fall election saw the Conservative Party reduced from 156 seats to 2, losing official party status. The Liberals won a decisive electoral victory under Prime Minister Jean Chrétien, winning 177 ridings—one of the strongest majorities in electoral history.

## Summary of Measures Taken

| | |
|---|---|
| **1986** | • The Budget announced pay cuts for the Prime Minister, Ministers and Senators.<br>• It also announced a freeze on annual increases in the salaries of deputy ministers, assistant deputy ministers and equivalent political staff. All other executives subject to a maximum 2% increase, and the implementation of a merit-based pay increase system.<br>• There was a 2% cut across the board to all non-statutory programs.<br>• Operating costs in all departments were cut by $500 million.<br>• The Budget called for reduced international assistance and defence spending, including an operating budget freeze.<br>• Privatization of Crown corporations, and the elimination of several subsidies[lv]. |
| **1987** | • Citing lower prices for oil and grain, the government did not propose substantial new expenditure savings this year, emphasizing new tax changes, including increases.<br>• The Budget deferred $200 million from defence spending levels for one fiscal year, and bringing about greater spending restraint in the international assistance portfolio through "adjustments in cash management and in our international reporting practices." |
| **1988** | • The Budget committed to reduce the growth of national debt to no more than that of the economy by 1990-91.<br>• It reduced non-statutory departmental spending by $300 million starting in 1989-90.<br>• Due to modest successes in controlling the debt, the government reinvested in "high priority areas", including new regional development programs, funding for science and technology, additional funding for defence[lvi]. |

| Summary of Measures Taken | |
|---|---|
| **1989** | • The April budget announced more spending cuts, tax increases, and sets its intention to implement a federal sales tax on January 1, 1991. This tax was to become known as the Goods and Services Tax (GST).<br>• Expenditure measures were attributed to an Expenditure Review Committee of Cabinet which had deliberated over the previous three months.<br>• Measures included deferred planned spending for defence, resulting in the closure or reduction in size of 14 military bases and stations, and a reduction in the size of the Forces and civilian workforce. A plan to purchase submarines was also abandoned.[xvii]<br>• There were also cuts to official development assistance, VIA Rail passenger service, regional development, and government operations.<br>• In December, the President of the Treasury Board announced savings of $1.4 billion over the next three years, which included a freeze on federal government construction in Ottawa and travel restrictions on Members of Parliament and public servants. Some parliamentary restaurants were closed, two government jets were sold, and some agencies were amalgamated, or closed[lviii].<br>• The December announcement also extended the 2% growth limit on non-salary operating and maintenance costs for departments[lix]. |
| **1990** | • The 1990 Budget announced a two-year Expenditure Control Plan, excluding programs for seniors, families, veterans, unemployment insurance, equalization, and Canada Assistance Plan payments to lower-income provinces. The two-year plan aimed to cut the deficit in half by 1993-94 without raising taxes[lx].<br>• Canada Assistance Plan payments to "fiscally stronger" provinces were capped at 5% growth per year, for two years.<br>• Defence and foreign aid were further restrained to 5% growth based on the lower expenditure base imposed the year before.<br>• Total expenditures on programs other than those that were exempt or capped were reduced by a further $800 million below that of the current year.<br>• The OSLO oil sands project, the Canadian Exploration Incentives Program, and the Polar 8 Icebreaker Project were wrapped up.<br>• The GST (not yet in force) was earmarked as a key part of deficit reduction. |
| **1991** | • The February budget announced a new "Plan for Economic Recovery," which extended the previously announced Expenditure Control Plan (1990), legislating program spending limits[1] under a new Spending Control Act, and the creation of a Debt Servicing and Reduction Fund, to which all revenues from the new GST will be allocated, to bring the debt down.<br>• The Budget also announced the establishment of national inflation targets, targeting 2% by 1995.<br>• The Budget effectively froze public service salaries[lxxi], contributing to the first-ever nation-wide strike by the PSAC (September) which ended by legislation[lxii].<br>• The number of senior managers was reduced by 10%.<br>• Capital spending and non-wage operating budgets were frozen at 1990-91 levels and constrained thereafter. |

| Summary of Measures Taken | |
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| **1992** | • The February Budget committed to spending reductions of $1 billion in 1991-92, and $7 billion over five years, with planned savings to be used for tax cuts.<br>• It also announced the elimination, deferral, privatization or merger of 46 government organizations.<br>• The Expenditure Control Plan was expanded, but exempted transfers to provinces.<br>• Another $2.2 billion in reductions over five years for DND were announced.<br>• Non-wage operating budgets for departments were cut by 3%.<br>• Communications budgets were cut, to be replaced by a "no-frills publishing policy" to reduce the number of government publications.<br>• Numerous grants and contributions programs were cut by about 10%.<br>• The Prime Minister and ministers took an additional 5% cut in salary.<br>• Privatization efforts continued, affecting the Cooperative Energy Corporation, the Dosimetry Services Unit, and plans to evaluate the Cabe Breton Development Corporation, the Blainville Motor Vehicle Test Centre, and the Royal Canadian Mint.<br>• In December, funding for regional development was reduced by 10% in the next two years (this change will be extended in the spring budget that follows.) Economic and Regional Development Agreements in forestry and mining were not to be renewed.<br>• Both the CBC and VIA Rail had their operating subsidies reduced by $150 million over the next two years.<br>• The unemployment insurance benefit rate was frozen at current levels. |
| **1993** | • The spring Budget once again announced cuts to departmental operating budgets by an additional $300 million in each of the next two years, rising to 1.2 billion in 1997-98. In his remarks, Finance Minister Mazankowski acknowledged the cuts as "significant" and that there will be reduced service levels "and the closure of offices and points of service." He also noted "the federal government will have to employ fewer people."<br>• Defence spending was frozen, and funding for the research councils was limited to 1.5% annual growth.<br>• Support for social housing provided by the CMHC was also frozen at about $2 billion a year.<br>• In December, the Economic Statement made further expenditure reductions. Salary freezes in 1993 and 1994 for public servants, and a reduction in government operating budgets of 3% in 1993-94.<br>• The December announcement also placed a freeze in unemployment benefits, by decreasing the benefit rate from 60 to 57% for any new beneficiaries, for the next two years. |

## Review Base

All government spending, including unemployment insurance, at various points.

Expenditure Control Plan programs constituted only 40% of spending. Budget 1991 notes that exempted programs would grow at 3.9% on average over the budget horizon.

## Scope

Subsequent reviews after the Nielsen Task Force were often ad hoc, and reactive to economic changes year-to-year.

Though certain sectors or portfolios could be exempt from expenditure reviews, such as the suite of social safety nets that remained largely intact through the mid-1980s, there was inconsistent application of restraint through these various spending activities, and little or no public discourse around decision-making. Spending decisions made one year could sometimes be reversed entirely, as was the case for the defence and international assistance envelopes throughout the period.

## Methodology

### Process

Budget 1989 mentions the Expenditure Review Committee of Cabinet, but little is publicly available on how this committee operated.

Detailed reductions were generally specified in Main Estimates of the corresponding year, though summaries were provided in Budget documents (divided into Budget Speech and Budget Papers in that era).

## Results

### Fiscal Savings

In the span from 1986-87 to 1993-94, more than $75 billion (current dollars) in fiscal savings were planned or implemented. In the earlier portion of this era, some proposed savings were offset by increased spending, notably where statutory programs such as farm stability payments came under pressure. Cumulative savings on an absolute basis exceeded those implemented in the 1994 Program Review.

### Workforce

Budget 1991 reported that 12,000 FTEs were cut between 1984-85 and 1990-91, which is less than the 16,000 FTE reduction forecast in Budget 1988. The subsequent budget noted another 6,000 FTE loss was expected from operating budget constraints. In total, 18,000 FTEs were cut from core government operations prior to the 1994 Program Review.

Workforce adjustments resulted from the various rounds of cuts or freezes that were imposed, but the most significant impact on the public service population is likely the 1991 public service strike by the Public Service Alliance of Canada (PSAC), a historic first[lxiv], due in large part to deficit reduction efforts that had placed freezes on salary budgets and growth, and had resulted in job losses[lxv]. The government legislated a return to work within weeks.

In 1993, then Finance Minister Mazankowski acknowledged that cuts were "significant" and that there would be reduced service levels "and the closure of offices and points of service." He also noted that "the federal government will have to employ fewer people."

### Machinery Changes

Privatized Telesat and Nordion International in 1990.

# Lessons Learned

"Thus we come to the recognition that invisible debt and visible inflation undermine public confidence. The battle to contain expenditures is fraught with many more complexities than signing off new and expanding programs. That's where the excitement always is. Unfortunately, the price to be paid might be out there but never defined. The rewards, however, in restraints and limited deficits are much more significant in defending our democratic institutions[lxvi]."

Former Clerk Jocelyne Bourgon summed up several key lessons in her retrospective on Program Review and preceding reviews:

**Lesson 1: Agenda overload increases the risk of failure.**

Eliminating a sizable deficit is a major undertaking. Fiscal reform of the scale discussed in this article affects all government departments and agencies, leaving little room for other ambitious reforms.

**Lesson 2: Public awareness is necessary for citizens to accept the sacrifice demanded of them.**

The lower the public awareness of the problem, the harder it is to reduce government spending and the longer it takes to implement fiscal reform.

**Lesson 3: Across-the-board cuts and freezes that affect program and services in an undifferentiated way have significant perverse effects.**

Such cuts erode the quality of public services, reduce the quantity of available services for the same level of taxpayer contribution and affect morale in the public service. Over time, they erode citizens' confidence in government, in the public sector and in public organizations..

**Lesson 4: Efficiency measures or "doing more with less" are not viable solutions to eliminate a sizable deficit.**

They may help with internal reallocations from lower to higher priorities, but there is no substitute to making choices about the relative importance of government programs to eliminate a large deficit. It comes down to repositioning the role of the government within the collective means of citizens.

**Lesson 5: Acting quickly can help avoid unforeseen circumstances.**

External factors beyond the control of government can steer it off course. Each failed attempt makes the next one increasingly difficult. Once the process has begun, it is preferable to aim for a balanced budget.

### Impact on services to Canadians:

- The closure or reduction in size of 14 military bases and stations, and a reduction in the size of the Canadian Armed Forces and civilian workforce (1989).

- Budget 1993 noted cuts that were "significant" and that there would be reduced service levels "and the closure of offices and points of service."

### Public narrative about fiscal situation:

- Political narrative in budget documents and related announcements was increasingly dominated by expenditure and fiscal discussion. The state of Canada's finances was a high-profile political issue that drew the attention of Canadians and, by extension, their elected representatives. Cuts to spending came less as a surprise, yet the degree of fiscal rectitude engendered difficult relations with unions and those affected by reduced programming.

## Program Review (1994-1996)

At the heart of everything is a need to restore confidence in both the people and the institutions of government. We have to do this in the context of the imperative of the fiscal crisis which has given rise to some of the tough medicine contained in the budget and which will continue to condition the policies of this government throughout its mandate.

However, the goal of getting government right is not simply to save money. This initiative is animated by a much wider vision of the need to rethink and redesign government in response to profound forces, both external and internal, of which expenditure restraint is only one. Our intention is that **the process of reform will be shaped by an evolving vision of the role of the federal government in society, of its relationships with its key partners and the part which its public service should play** within that framework.

—Marcel Massé, remarks in the House on Program Review:
Debates (Hansard) No. 30 - February 25, 1994 (35-1) - House of Commons of Canada (ourcommons.ca)

### Context

With the change in government in the fall of 1993, which saw the landslide election of the Liberals led by Jean Chrétien, a new consensus emerged about the urgency of making difficult decisions to reign in government spending and eliminate the deficit. But it was not necessarily immediate.

At the time, the persistent inflation of the 1970s and 1980s had pushed the consumer price index to a level nearly four times as high as in 1970[lxvii]. Debt charges reached 35% of government revenues in 1993, up from 11% in 1974-75. Long-term interest rates in 1995 were expected to average 9.7%.[lxviii]

Finance Minister Paul Martin's budget, tabled in February 1994, committed to adopting all proposed measures in 1993, and reaffirmed an electoral commitment to a 3% deficit-to-GDP target in 1996-97, but deferred specific proposals until the next Budget.[lxix]

Facing criticism for inaction and for failing to understand the severity of the challenge, a major shift transpired behind the scenes even as the ground is laid for program review[lxx]. In January 1995—amidst rising interest rates—Canada's economic situation became a global headline when the Wall Street Journal wrote that Canada had become *"an honorary Member of the Third World"*[lxxi] for its handling of the economy, and particularly the cost of servicing its debt. This became a major turning point for Canada's government, galvanizing powerful public and political consensus around the economic imperatives of managing the deficit.

A few months earlier, on October 18, 1994, the Economic Update included a companion document, entitled A New Framework for Economic Policy. This public document was used as the basis for broad consultations with private sector experts, and cross-country hearings were held so that the Finance Committee could generate its own recommendations to Parliament (which transpired on December 5, 1994). Finance Minister Paul Martin was credited as "the architect of the most open approach to budget planning that the Department of Finance had ever undertaken[lxxii]."

Concomitantly, the Treasury Board Secretariat unveiled a new Expenditure Management System (EMS), which aimed to implement a new results-based approach to public management, alongside strict cost controls. The system formally eliminated central policy reserves and integrated decision-making about spending into the budget process. It required that departments produce documents on the outlook for their programs and expenditures so that standing committees and Parliament itself was more involved in the budgeting and estimates process[lxxiii].

Budget 1995 was tabled on February 27, 1995. It was the largest set of actions in any Canadian budget since post-war demobilization. In the course of promoting this budget, Finance Minister Martin famously quipped that the government will eliminate the deficit "come hell or high water[lxxiv]."

Program Review was also a turning point for the federal public service. As described by former Clerk Jocelyne Bourgon:

> Program Review was different from every prior exercise in its approach, the scope of the effort, the process and the guiding principles. Program Review was developed to eliminate the deficit by evaluating the relative importance of government programs and services within the overall fiscal framework—the exercise was less about 'what to cut' and more about 'what to preserve'[lxxv].

Program Review was significant for the public service and far beyond workforce impacts that saw about 50,000 jobs eliminated over the period. It was during this phase that the Task force on Public Service Values and Ethics, led by John Tait, developed what would become the *Code of Values and Ethics* as part of a pathway to renewal[lxxvi].

A year later, in her Fourth Report to the Prime Minister, former Clerk Jocelyne Bourgon wrote of a "quiet crisis" in the public service: recruitment of talented workers had stalled through years of budget freezes, many qualified leaders had left, and pride in service had waned. The Clerk saw a need for renewal, both to attract and retain a new cohort of leaders to public service, and to create the public service of tomorrow through service delivery modernization, strengthened policy capacity, and better skills and training[lxxvii]. Originally titled La Relève, the initiative came to be known as The Leadership Network in 1997[lxxviii].

It is worthwhile to note that the economic conditions for Program Review were excellent in the latter part of the 1990s. The U.S. economy was exceptionally strong, bolstering exports. The Bank of Canada's price stability strategy was yielding results; Canadian inflation was well below that of the United States, as were interest rates from 1996 onward.

| Summary of Measures Taken | |
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| **1993** | • The April 1993 Budget (the last under the Conservative government) announced plans to abolish 16,500 more jobs over five years.<br>• $300 million was withheld from non-allocated reserves.<br>• Defence spending levels were frozen to their 1994-1995 level.<br>• The unemployment benefits rate reduction was made permanent and it would remain at 57%, even after April 1995.<br>• Both the measures introduced in the December *Economic Statement* and the spending cuts proposed in the Budget were included in the Government *Expenditure Restraint Act*, 1993, which received royal assent on April 2, 1993, and were subsequently brought into force. |
| **1994** | • The 1994 Budget, tabled by Finance Minister Paul Martin in February, reaffirmed an electoral commitment to target a deficit-to-GDP of 3% by 1996-97. It committed to following through with changes proposed by the outgoing government.<br>• The Budget noted its intention to review and reform major spending programs, specifically launching a review of federal spending on science and technology, as well as foreign aid and defence policy (announced previously)[lxxix]. It also announced a review of all federal boards, agencies, commissions and advisory bodies to assess effectiveness, and to find efficiencies. The results of these reviews were announced in the following budget, in 1995. (The official launch of Program Review transpired a few months later, on May 18, 1994.)<br>• The Budget also extended a salary freeze for public servants and suspended pay increments for two years. Concomitantly, the Budget committed to reviewing operations; if efficiencies were found, the length of the freeze would be shortened[lxxx].<br>• Non-statutory grants and contributions were reduced by 5% and implicated programs were to be reviewed to reduce overall funding provided.<br>• The Department of Transport was directed to review commercialization options for several activities, such as air navigation, as well as options to improve the efficiency of surface freight transportation.<br>• Minister's office budgets were reduced, and future changes to reduce spending by Parliament were to be considered.<br>• The defence portfolio was once again reduced, with the cancellation of the EH-101 helicopter project, and a further commitment to reduce spending by $1.9 billion over the next three years, which involved closing bases and units.<br>• International assistance spending was reduced by 2%, then frozen[lxxxi].<br>• On October 18, 1994, the Economic Update included a companion piece, *A New Framework for Economic Policy* which sets out five fundamental priorities for government[lxxxii] and became a discussion document for broad, nation-wide consultations in the weeks that followed. |

## Summary of Measures Taken

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| **1995** | • The 1995 Budget presented the results of Program Review.<br>• Savings came primarily from $25.3 billion of cumulative spending reductions—nearly seven dollars of spending reduction for every dollar of tax revenue increase.<br>• The Budget introduced several cost-recovery fees, including an immigration fee ($975 per adult), fees for citizenship, an increased interest rate on late tax payments, CPP and EI, cost recovery for consular and trade development services, and fees for certain Environment Canada products.<br>• The largest program spending savings came from Transport Canada and DND, $1.4 billion and $1.6 billion respectively.<br>• Transport Canada was also directed to eliminate the annual $560 million subsidy to railways, and going forward, the provisions of the *National Transportation Act* would apply to Prairie grain.<br>• Other notable reductions included $550 for the International Assistance Envelope, $600 million at NRCan, $900 million at Human Resources Development, $200 million at Fisheries and Oceans, $900 million at Industry Canada, $550 million at the Regional Agencies, and $450 million at Agriculture Canada.<br>• Defence spending also fell by $1.6 billion over four years, based on a 1994 Defence white paper, and were in addition to cuts announced in 1994.<br>• The Canada Coast Guard was integrated into the Department of Fisheries and Oceans (DFO) for greater efficiency. Additionally, DFO and Transport were to right-size their respective freshwater and marine responsibilities to streamline services.<br>• Public Works and Government Services Canada (PWGSC) was directed to consolidate cheque production and data centres.<br>• Health Canada was to rationalize its network of laboratory services.<br>• Subsidies for Atlantic region freight were abolished, and subsidies on dairy and agriculture production were reduced by 30% over two years.<br>• The *Western Grain Transportation Act* subsidies were terminated.<br>• Subsidies to cultural industries were reduced, including a reduction in the postal subsidies for Canadian books and magazines.<br>• Industry Canada reduced subsidies and eliminated regional industrial programming and service delivery in cases of overlap.<br>• The $2 note was replaced with a coin.<br>• As a result of the government-wide review of agencies, boards, commissions and advisory bodies, seventy-three of these affected agencies were wound-up and the remaining 47 restructured and streamlined. These decisions eliminated 665 Governor-in-Council positions, hundreds of ministerial appointments and saved about $10 million. |

| Summary of Measures Taken | |
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| **1995** | • The Budget announced that 45,000 jobs in the public sector (14%) would be eliminated or transferred to the private sector, including 6,000 positions at Transport Canada.<br>• The unemployment insurance program reformed to reduce the overall size by a minimum of 10%, effective July 1, 1996.<br>• The government announced the decision not to extend the *Spending Control Act* (which came into force in 1992)<br>• Spending review details by department or area are listed in the main budget document, (pages 91 to 115). |
| **1996** | • The March 6 Budget extended Program Review to 1998-99.<br>• Further reductions came to business subsidies (dairy, postal, VIA Rail, Atomic Energy of Canada Limited), continued privatization and commercialization in cases where a federal role was neither required nor efficient, and further restraint measures affecting lower priority programs.<br>• Defence spending was reduced by an additional $200 million in 1997-98, and $600 million the year after.<br>• The International Assistance Envelope was also reduced by $150 million.<br>• The Budget noted that its forecasts include a "contingency reserve" in planning assumptions and committed to dedicating any unused funds to deficit reduction. |
| **1997** | • With the largest program spending announcements past, Budget 1997 began to signal a change of course; deficit targets exceeded expectations in each of the years between 1995 and 1997.<br>• By this point, it was estimated cumulative measures had avoided almost $89 billion in new net debt since 1994. Program spending had declined for four years and would fall further to 11.9% in 1998-99, the lowest ratio since 1949. |

## Review Base

Budget 1995 states that "Program Review encompassed about $52 billion worth of spending, excluding only major statutory programs".

## Scope

Program Review included all departments and organizations reporting to a minister, and through a minister to Parliament, including agencies, Crown corporations or quasi-judicial bodies.

The review maintained a portfolio-based approach (i.e. total savings must come from within a portfolio, but the mix of contributions was not necessarily proportional).

## Methodology

> This budget will fundamentally reform what the federal government does and how it does it. That reform is structural—i.e. it will change permanently the way government operates. **The objective is to get government right** so that it can fulfil its social and economic mandates more effectively and sustainably. This will include deep cuts in the level of federal program spending—not simply lower spending growth, but a substantial reduction in actual dollars spent.
>
> —Budget 1995

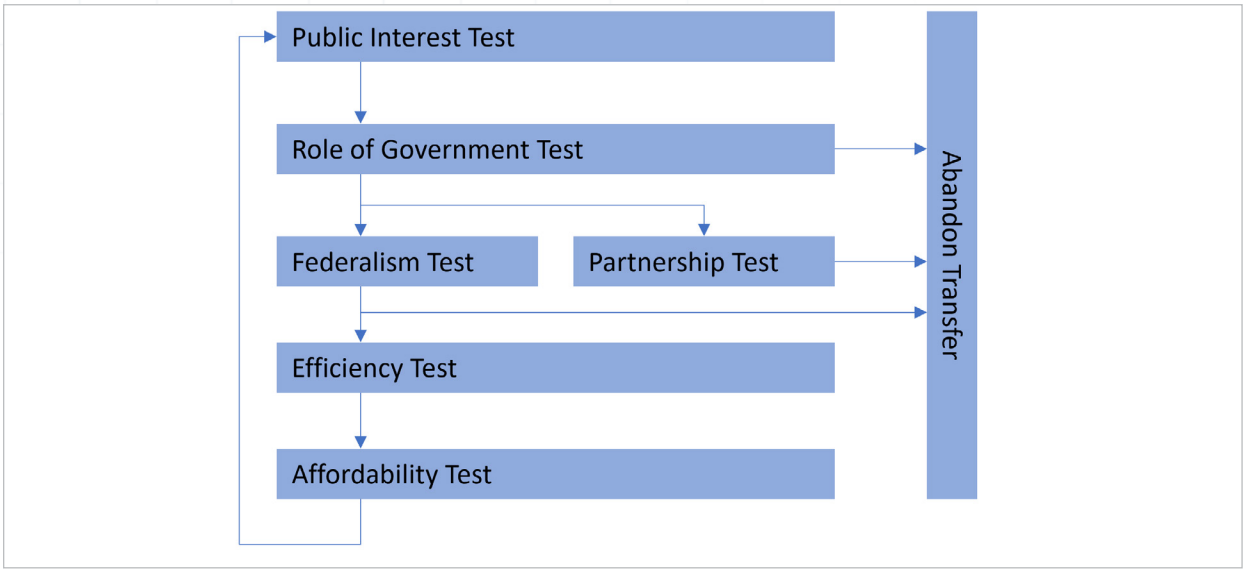
Former Clerk Jocelyne Bourgon has written extensively about Program Review. She noted that the model relied on collaboration between ministers and deputy ministers to link policy choices and policy implementation. It also reduced the risk of the political and public service interests standing at odds with the other. The model adapted through discussion involving central agencies, as well as the Prime Minister's Office and that of the minister responsible for Public Sector Renewal.

Policy reviews were conducted on multiple subjects, including social programming and transfers to individuals. Results were rolled up incrementally into Program Review.

Ministers and Deputies were free to undertake their reviews and develop proposals how they wished, in respect of the different conditions and contexts. No targets were set in advance and were only established once proposals were reviewed. The review process was careful not to privilege early submissions over later ones. Departments took varied approaches, but all followed a common set of principles, and six interconnected tests as listed in Clerk Bourgon's 2009 paper:

1. Does the programme or activity continue to serve a public interest?
2. Is there a legitimate and necessary role for government in this programme area or activity?
3. Is the current role of the federal government appropriate or is the programme a candidate for realignment with the provinces?
4. What activities or programmes should, or could, be transferred in whole or in part to the private or voluntary sector?
5. If the programme or activity continues, how could its efficiency be improved?
6. Is the resultant package of programmes and activities affordable within the fiscal restraint? If not, what programmes or activities should be abandoned?

These tests continued to be used for most modern subsequent reviews to assess departmental proposals for reallocation or for funding new initiatives.




## Governance

Three committees reviewed the departmental proposals:

1. A **steering committee** of deputy ministers, operating as a peer review committee. This Deputy Minister Committee was chaired by the Clerk, and included experienced DMs from PCO, Finance and TBS, as well as large and small departments. This committee would be asked to perform a challenge function, and that its assessments would be shared with full Cabinet and especially the sponsoring minister and deputy.
2. A special **Cabinet committee** of ministers to vet the proposals and build political consensus. This committee's members were carefully selected by the Prime Minister to provide political oversight to the activity. The Honourable Marcel Massé, President of the Privy Council, Minister of Intergovernmental Affairs, and the minister responsible for Public Service Renewal, chaired this committee.
3. The **full Cabinet** (Prime Minister and his Cabinet ministers) served to arbitrate major issues and ensure overall balance and Cabinet solidarity. The Prime Minister ensured discipline and the political support of ministers, caucus and the governing party.

There was likewise a small secretariat known as the Program Review Secretariat (PRS), reporting to the Deputy Secretary to Cabinet.

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## Process

After the initial setup of the Program Review Secretariat at PCO in May 1994, departments had about three months to develop proposals. Strategic action plans were to be submitted to the Program Review Secretariat by August 31. By July, the Secretariat issued guidelines to drive common format and data for the action plans. The objective was to have decisions ready for inclusion in the 1995 Budget.

Over the course of fall 1994, departments prepared action plans outlining their strategic priorities and proposals. Departments established Program Review coordinators to facilitate horizontal discussions.

Plans were reviewed by a committee of ministers tasked to review the operations of government and help Cabinet reach informed decisions.

Committee structure and transparency allowed ministers to focus on challenge functions and building political consensus. For instance, ministerial retreats occurred alongside to build political consensus and integrate discussions with budget planning (the first in October). And the Special Cabinet Committee met every two weeks, for a full day each time, from mid-September to December. And in December, it met twice a week on horizontal issues.

Program Review recommendations were tabled at a Cabinet retreat on January 17, 1995, as part of Cabinet's consideration of Budget 1995. Decisions were announced in Budget 1995 and were included in the budget legislation.

The Treasury Board Secretariat played a major role in setting budget reduction targets, departments carried out their own reviews and made reduction recommendations to central agencies, and Cabinet, along with senior public service, officials played a challenge role in the recommendations posed by departments.

## Results

The full results of Program Review are well-captured in Getting Government Right: Improving Results Measurement and Accountability, tabled in the House of Commons on March 7, 1996. This report is a precursor to the Annual *Results for Canadians* report that started in 2000. Fiscal Savings

$16.9 billion total savings over 3 years starting in 1995-96.

Over a three-year period and ahead of schedule, Canada eliminated a budgetary deficit of 5.3% of GDP. All Program Review decisions were implemented by 1998-99 after which Canada ran consecutive surpluses until 2007-08.[xvii]

- Program spending declined by approx. 11.1% ($13.3 billion on $120 billion base), falling from 16.8% of GDP to 12.1% in 1999-2000[lxxxiii]. Combined with cuts from Budget 1994, spending subject to Program Review was forecast to decline by nearly 19% compared to 1994-95[lxxxv].
- Major transfers to provinces and territories were reduced by 15% compared to 1994-95: $4.5 billion on $29.7 billion of original Established Programs Funding (EPF) and the Canada Assistance Plan (CAP). Also moved to block transfers instead of cost-sharing.
- Eleven departments reduced spending by more than 20% due to Program Review, while one of these reduced spending by more than 50% (Transport) and two by more than 60% (Industry and Regional Agencies). Details are shown in the *Federal Departmental Spending After Program Review* table reproduced in this section as it was detailed in Budget 1995.

## Federal Departmental Spending After Program Review - Note 1

| | Spending levels | | Change | |
|---|---|---|---|---|
| | 1994-1994 | 1997-1998 | $ Millions | Percent |
| **Natural Resource Sector** | **4,847** | **3,333** | **-1,514** | **-31,2** |
| Agriculture | 2,073 | 1,628 | -445 | -21,5 |
| Fisheries and Oceans | 775 | 565 | -211 | -27,2 |
| Natural Resources | 1262 | 638 | -624 | -49,4 |
| Environment | 737 | 503 | -234 | -31,8 |
| **Transport** | **2,851** | **1,404** | **-1,447** | **-50,8** |
| **Industrial, Regional and Scientific-Technological Support Programs** | **3,798** | **2,355** | **-1,443** | **-38,0** |
| Industry (and specified agencies) | 1,301 | 742 | -560 | -43,0 |
| Science and Technology Agencies - Note 2 | 1,359 | 1,038 | -321 | -23,6 |
| Regional Agencies | 1,138 | 576 | -562 | -49,4 |
| **Justice and Legal Programs** | **3,298** | **3,132** | **-166** | **-5,0** |
| Justice | 757 | 693 | -64 | -8,4 |
| Solicitor General | 2,541 | 2,439 | -102 | -4,0 |
| **Heritage and Cultural Programs** | **2,897** | **2,221** | **-676** | **-23,3** |
| **Foreign Affairs and International Assistance** | **4,082** | **3,292** | **-789** | **-19,3** |
| Foreign Affairs/International Trade | 1,488 | 1,231 | -257 | -17,3 |
| International Assistance Envelope | 2,594 | 2,061 | -532 | -20,5 |
| **Social Programs** | **13,003** | **12,013** | **-990** | **-7,6** |
| Citizenship and Immigration | 663 | 601 | -62 | -9,4 |
| Health | 1815 | 1,746 | -70 | -3,8 |
| Human Resources Development | 2,544 | 1,660 | -885 | -34,8 |
| Indian Affairs and Northern Development | 3,761 | 4,208 | 447 | 11,9 |
| Canada Mortgage and Housing | 2,131 | 1,942 | -189 | -8,9 |
| Veterans Affairs | 2,088 | 1,857 | -232 | -11,1 |
| **Defence/Emergency Preparedness** | **11,574** | **9,925** | **-1,648** | **-14,2** |
| **PUITTA** | **250** | **–** | **-250** | **-100,0** |
| **General Government Services** | **4,967** | **4,137** | **-831** | **-16,7** |
| **Parliament/Governor General** | **309** | **277** | **-32** | **-10,2** |
| **Total** | **51,875** | **42,089** | **-9,785** | **-18,9** |
| Percent of GDP | *7* | *5* | | |

**Note 1** – *As noted in Table 4.1, Program Review resulted in additional deficit reduction through increases in cost recovery and revenue generation. These savings are not reflected in this Table.*

**Note 2** – *Includes granting councils, the Canadian Space Agency and the National Research Council.*

*Numbers may not add due to rounding..*

*Source: Budget 1995*

Some program spending did increase, such as certain measures for Indigenous peoples and children. Other departments made more modest reductions in light of their import to Canadians (Health and Justice[lxxxvi]).

As a result of favourable economic conditions, the benefits of previous structural reforms such as free trade and growing revenues from new taxes (in particular the GST), as well as sustainable expenditure reductions resulting from Program Review, the government eliminated its deficit in three years. This led to its first surplus budget in 28 years in 1997-98 and to 11 consecutive years of subsequent surpluses. The surplus would reach 1.8% of GDP in 2000-2001, despite a worldwide economic downturn.

## Workforce

Program Review had a significant impact on the size of the Public Service of Canada. Over five years, public service employment declined by 45,000 employees, a reduction of 19%. Of this, an estimated 6,000 positions were eliminated at Transport Canada.

This included 8,000 employees whose positions were transferred to the private sector, the not-for-profit sector or to other levels of government. It does not include employment reductions in the Royal Canadian Mounted Police, Canadian Forces military personnel or in separate employers, such as Crown corporations. Total federal public sector employment declined by about 55,000 when these reductions were taken into account.

- Most departures were voluntary, encouraged by an Early Retirement Incentive (waiver of early retirement penalty) or an Early Departure Incentive (cash payment for resigning).
- Restructuring costs of $1 billion were incurred.

In 1997, the Clerk's report on the public service raised concern over a "quiet crisis" growing within the ranks of the public service. Following a series of consultations led by a task force, an action plan was endorsed by deputy ministers in July 1997, followed by the publication of *La Relève: A Commitment to Action* in October. This plan aimed to bring about major public service renewal in the following three years. Notably, the 1997 Speech from the Throne confirmed its support for renewal. The plan was cast as:

- A challenge to rebuild a modern and vibrant institution able to use fully the talents of its people
- A commitment by each and every public servant to do everything in their power to provide for a modern and vibrant organization now and in the future
- A duty, as guardians of the institution, to pass on to our successors an organization of qualified and committed staff ready to face the challenges of their time[lxxxvii].

## Machinery Changes

Privatization: Petro Canada, CN Rail, NavCan, and Canada Communication Group were all divested.

The overall outcome of Program Review was captured in *Getting Government Right: A Progress Report*, prepared by the Privy Council Office and tabled in the House of Commons by the President of the Treasury Board on March 7, 1996 (Privy Council Office, 1996). This report led to the annual publication of *Results for Canadians: A Management Framework for the Government of Canada* by the Treasury Board Secretariat beginning in 2000.

### Service to Canadians

In retrospect, some departments cut too deeply. Reinvestments and course corrections became necessary in subsequent years. It rapidly became clear in the Department of National Defence, for instance, that the peacetime bonus expected with the end of the Cold War would not materialize as missions became more numerous, more complex and more costly.

# Lessons Learned

EMS has been in official operation since February 1995, and that was also the beginning of several years of deep spending cuts inaugurated by a system of program review. Program review was an explicit deficit reduction initiative established by the Chrétien government in 1994. It compelled departments to engage in a rationalistic analysis and prioritization of all their spending initiatives in order to identify expendable programs. And it required departments to report back to an ad hoc program review committee of Cabinet chaired by the finance minister on the spending cuts they could make. **In reality, however, the committee and the Department of Finance simply issued instructions, ordering departments to make specified cuts to their budgets.** Rather than an exercise in budgetary rationalism, program review is better understood as an example of incrementalist budget cutting

—Thinking Government (Savoie 1999, 179-81)

***La Relève***

There is growing evidence that it could become increasingly difficult to retain, motivate and attract people essential to the work of the Public Service over the coming decades. There is a quiet crisis underway in the Public Service today. It is quiet because few people are aware of the crisis and even fewer people have started to do something about it. The responsibility to act rests first with the Public Service. Public servants must take charge and do all in their power to remedy the situation. Their actions will provide the necessary credibility for them to ask elected officials and Canadians to join the effort.

In summary the attention given to human resource management at all levels has been insufficient to prepare adequately the organization and its people for the future.

—Jocelyne Bourgon
Fourth Annual Report to the Prime Minister on the Public Service of Canada

- Canada redefined the role it would play within the federation, particularly on economic and social issues.
- Canada ceased supports in certain social program areas, such as ceasing direct job training support and giving provinces the chance to manage social housing.
- Transition from partial cost sharing of provincial social programming to block transfers may have reduced provincial transparency on how spending is allocated and the associated data required to assess progress on benchmarks. This remains a current issue in 2024 at the time of writing.

## Lessons from Jocelyne Bourgon, former Clerk of the Privy Council, and Chair of the Deputy Ministers' Committee during Program Review (1994-1996)

- **Eliminating a sizable deficit is a societal project, not a normal budget exercise.** A budget exercise often involves a small number of people working in relative secrecy. The purpose of the exercise is to reconcile fiscal capacity with demands for funding, including funding for new government priorities. Eliminating a sizable deficit involves a realignment of the role of government in society. As such, it requires a more open and inclusive approach, one that engages the whole of government.
- **Scale is important.** Scale makes possible reforms that alone would not be politically feasible. All programmes have beneficiaries. Cuts that affect individual programmes unleash a strong reaction on the part of those beneficiaries. The scale of Program Review helped to balance single interests with the collective interest. The public judgment about the merit of the approach hinged on the relative fairness of the proposals among regions, groups, income levels, and so forth.
- **Speed is important.** Successful public sector reforms are incrementally implemented over time. However, where a high level of societal consensus has been achieved, it is preferable to move expeditiously. It creates hope at the end of the tunnel.
- **Prudence is important.** Prudence is about protecting the collective journey while avoiding slippage due to unforeseen circumstances. A high degree of prudence was built around Program Review. It was achieved through lower-than-average fiscal hypotheses, the creation of a contingency reserve and the elimination of policy reserves for funding new initiatives.
- **Luck plays a role, but it does not last forever.** During the period of Program Review, there were no major external shocks to throw the exercise off course. Furthermore, the North American Free Trade Agreement created strong external demand for Canadian exports. This, combined with a weak Canadian dollar, replaced domestic demand and facilitated adjustment. But, chance does not last forever. The next economic downturn will come and will reveal if the measures taken were sustainable. Canada did well during the following economic downturn (2001) and 11 surplus budgets demonstrate the reforms were sustainable.
- **[Major reviews] can be done.** The test of a successful reform is whether the desired outcome is accomplished at the lowest possible costs to society while minimising the unintended consequences. In that perspective, easy cuts and easy targets may be the worst approach since they might not be sustainable; could erode some of the levers needed to meet priority societal needs in the future and cause damage to the public sector institutional capacity to serve. It is possible to lead ambitious reforms and to make choices in a principled and defensible way for citizens and public servants.

Source: Program Review: The Government of Canada's Experience Eliminating the Deficit, 1994-99: A Canadian Case Study

# Expenditure Review Committee (2004-2005)

> The Government will make reallocation from lower to higher priorities an integral part of the way it manages. To that end, the Treasury Board will lead a systematic and ongoing examination of all non-statutory government programs, drawing on the experience of the 1994 Program Review exercise. The goals will be to ensure that government programs continue to be relevant, effective and affordable.
>
> —Budget 2003

## Context

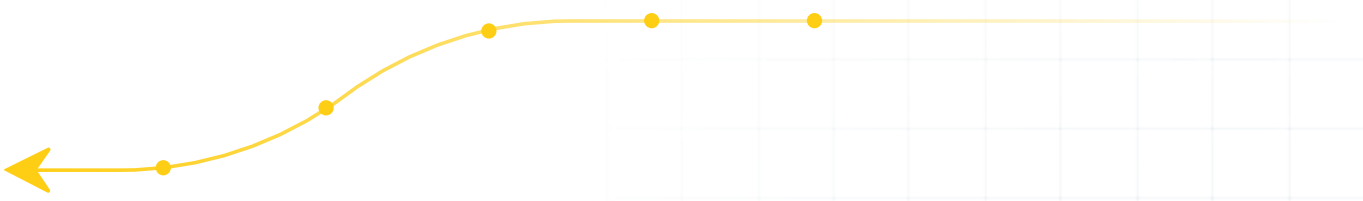
Following Program Review, and for more than 10 years, Canada enjoyed surpluses and exceptionally favourable economic conditions. The average annual growth in employment was 2.3% with a corresponding annual rate of growth in living standards of 2.8%—the strongest performance in the G7.

The dot-com bubble to which the United States proved vulnerable did not have the same impact in Canada, which avoided the recession of the early 2000s. Nonetheless, in the 2002 Speech from the Throne, the government announced its intention to "reallocate resources to the highest priorities and transform old spending to new purposes."

Budget 2003 enshrined this commitment with the creation of a systematic and ongoing examination of non-statutory government programs every five years, to be based on the 1994 Program Review exercise. This would be Paul Martin's final budget as Finance Minister before he assumed the leadership of the Liberal Party in the fall of 2003.

Immediately upon taking office, Prime Minister Martin launched a new Cabinet Committee on Expenditure Review (ERC), with a mandate to review federal spending for relevance, efficiency and excellence, and to submit recommendations prior to Budget 2005. He also announced a two-year hiring freeze for the public service, and a freeze on the size of the public service, as its population had grown as large as it had been before Program Review.

In early 2004, the Auditor General at the time, Sheila Fraser, released a scathing report on the Sponsorship Program, which ran from 1996 to 2004, connecting the Liberal Party to the misuse of public funds. In response, Prime Minister Martin established the Gomery Commission, whose work had consequential impacts on the government and became a factor in both the 2004 election, which returned the Liberals to power with a minority, as well as in the 2006 election.



| Résumé des mesures prises | |
|---|---|
| **2003** | • Budget 2003 announced plans to implement a system of ongoing expenditure reviews, and allow the permanent reallocation of $1 billion from existing spending to fund "higher government priorities."<br>• It signalled that the government would adopt accrual accounting, a standard that allows for a higher level of transparency and accountability, as balance sheets capture greater detail, and can show impacts more clearly.<br>• Notably, it directed TBS to increase transparency in public reporting by making greater use of electronic reporting on expenditures and results, bolstering Reports on Plans and Priorities or Performance Reports so that they "adequately inform Parliament," [and review the use of the Treasury Board Contingency Vote.]<br>• In December, the Prime Minister launched a new Cabinet Committee on Expenditure Review (ERC), with a mandate to review federal spending, text for relevance, efficiency and excellence, and submit recommendations prior to Budget 2005[xc]<br>• He also announced a two-year hiring freeze for the public service, and a freeze on the size of the public service as its population had grown as large as it had been before Program Review[xci]. |
| **2004** | • Budget 2004, tabled and presented by Ralph Goodale in March, aggressively targeted the debt burden, and introduces significant new proposals to shore up "financial management and operational integrity within the government."<br>• Measures included the re-establishment of the Office of the Comptroller General of Canada to oversee spending, greater oversight of new spending initiatives by professionally accredited comptrollers, stronger internal audit functions, and a "modern, real-time information system" to track all sending.<br>• A number of spending decisions were unveiled, such as the cancellation of a new political history museum, ending the Sponsorship Program and National Unity Reserve, cutting advertising programs, and proposing across-the-board cuts for departments.<br>• This budget also reported on the Contingency Reserve, crediting it with Canada's ability to respond to the SARS outbreak in 2002 and the BCE (Mad Cow) case in 2003.<br>• The Budget set the goal of lowering the federal debt-to-GDP ratio to 25% within 10 years.<br>• Before the Budget could be passed, Parliament was dissolved for the 2004 election. The budget legislation was appended to the 2005 Budget that was passed the next year. |
| **2005** | • The Budget noted that the Cabinet Committee on Expenditure Review (ERC), led by the Minister of National Revenue, then John McCallum, had identified nearly 11 billion in spending reallocations.<br>• Alongside Budget 2005, a booklet entitled Expenditure Review for Sound Financial Management was released with detailed information on reallocations, as well as scope and methodology[xcii]. |

## Review Base

In aggregate, the spending base was an estimated $42 billion..

## Scope

As described in the booklet Budget 2005 - Expenditure Review for Sound Financial Management:

Certain types of spending were excluded from the overall base to ensure that the proposed savings were realistic and realizable. The focus was on the discretionary portion of departments' and agencies' appropriations voted by Parliament. The exemptions included:

- **Statutory spending that requires legislative change**, because these expenditures are largely non-discretionary, and include employee benefit plans (superannuation, CPP/QPP contributions) and statutory personnel (such as federal judges).
- **Separately controlled operating expenditures**, which are also largely non-discretionary. An example is the Treasury Board Secretariat's costs for public service insurance (health care, disability insurance, dental plan, etc.).
- **Major capital expenditures.**
- **Some grants and contributions** that were considered non-discretionary and exempted—mostly those that go to other orders of government, or for First Nations.

## Methodology

Intended to copy Program Review, this Expenditure Review challenged departments and agencies to apply the following tests:[xciii]

1. Does the program area or activity continue to produce results that reflect government priorities and the current needs of Canadians—is it still relevant?
2. Value for money: Are the resources that have been allocated being used in the most efficient and effective way to deliver appropriate results?
3. Is it necessary for the federal government to operate this program or activity—could it be transferred in whole or in part to other levels of government or to the private or voluntary sector?
4. What are the interrelationships with other organizations and what is the scope for considering more effective program structures and service delivery arrangements—within the federal government, with other levels of government, as well as with the private and voluntary sectors?
5. Are department and agency management practices appropriate and of sufficient quality?

Additionally, as described in the booklet Budget 2005 - Expenditure Review for Sound Financial Management, the ERC reviewed departmental programs to identify three sources of savings: reductions in the cost of delivering programs (program efficiencies); reductions in the overhead cost of running the department (administrative efficiencies); and the elimination or scaling back of programs that have become inefficient or less relevant.

Departments were tasked to review their spending and, as a point of reference, provide proposals to the Expenditure Review Committee on potential expenditure reductions of at least 5% on their non-statutory, direct program spending base, covering operations and transfer payments.

The departmental proposals—having been approved for consideration by their ministers—were then reviewed proposal-by-proposal by the Expenditure Review Committee members. After seeking amendments or additions to some of the proposals, the Committee put together a final package of departmental initiatives.

This means that the ERC package did not represent pro-forma across-the-board cuts, an outcome the Government had ruled out from the start. In making its decisions, the Committee applied several lenses— regional and gender impacts in particular. As well, the Committee took care to assure itself that the package as a whole did not have negative effects in important areas of public policy (for example, science, environment and official languages).

Departments were permitted to propose reinvestments where required to achieve savings. These are not publicly listed under the departmental initiatives but are shown for government-wide savings areas.

## Process and Governance

The Prime Minister established the Cabinet Committee on Expenditure Review in December 2003 as part of a series of initiatives designed to strengthen the government's financial management and accountability. The Committee was led by the Minister of National Revenue, John McCallum.

The Privy Council Office coordinated the exercise, supporting a dedicated Cabinet Sub-Committee on Expenditure Review, and led by a deputy minister. Over a four-month period, the Committee undertook a detailed, bottom-up review of federal spending both horizontally—government-wide activities—and by individual department [xciv].

Some departments used consultants to support their proposals. Public Works and Government Services Canada (PWGSC), for example, based their government-wide procurement proposals on an IBM report submitted in 2004[xcv].

## Results

### Fiscal Savings

$11 billion total savings over five years starting in 2005-06 focusing on efficiencies in government-wide activities and individual department operations. Budget 2005 noted ERC efforts as a "significant first step towards a culture of ongoing reallocation[xcvi]"

- $9.8 billion (89% of total) from efficiencies in purchasing, property management and service delivery, and in the operations of individual departments.
- Efficiency savings in Employment Insurance and Canada Pension Plan to be allocated back to these programs, with all other savings reallocated to highest government priorities.
- $6.67 billion in government-wide efficiencies came from property management ($1 billion), procurement ($2.6 billion), and service delivery ($3.1 billion).
- $3.9 billion in department-specific reductions resulted from program efficiencies ($1.3 billion). administrative efficiencies ($1.4 billion), and program eliminations or reductions ($1.1 billion).
- Savings amounted to between 3% and 7% of the review base annually.

### Workforces

A hiring freeze was imposed for 2004 and 2005.

Employment reductions were estimated at 1% (less than 3,000) of the federal workforce at the time, mostly due to attrition or reassignment based on program fit[xcvii].

### Machinery Changes

No significant machinery changes appear to have been made, though the role of organizations such as PWGSC in procurement and property management was reinforced and Service Canada's Secure Channel digital exchange pathway was greatly expanded[xcviii]. Notably, the Public Service Human Resources Agency's funding was eliminated and the Public Health Agency of Canada (PHAC) was created.

# Lessons Learned

**Impact on services to Canadians:**

Specific programs were eliminated or greatly reduced, as detailed publicly on the Expenditure Review website of the time (now available only on the Internet Archive). More public instances included program reductions in:

- Environmental stewardship funding (Agriculture and Agri-Food Canada)
- Tax filing processing (Canada Revenue Agency)
- International development assistance (Canadian International Development Agency)
- Retail Debt programs (Canada Investments and Savings Agency)
- Fisheries habitat and compliance monitoring (Fisheries and Oceans Canada)
- Non-insured health benefits for First Nations (Health Canada)
- Reducing Search and Rescue (Department of National Defence)
- Procurement, inventory, and supply chain savings (Department of National Defence)

In some cases, these program areas still exhibit difficulties at the time of writing (2024) in achieving the objectives of their functions, such as military procurement, or where additional significant pressures have subsequently surfaced, such as non-insured health benefits.

**Impact on government operations and expertise:**

The 2005 Expenditure Review results broadly impacted corporate and administrative functions of government at a department level. Reduction details presented publicly for each department show that many of the largest cuts targeted internal service functions, a precursor to the back-office efficiencies narrative that would emerge in the subsequent reductions.

Retrospective material examining specific impacts of Expenditure Review Committee reductions on services is scarce and complicated by the change in government that occurred in 2006.

# Expenditure Review (2006)

## Context

Following the release of the first of two Gomery Commission reports on the sponsorship scandal in November 2005, the sitting government faced a vote of no confidence over findings of a "culture of entitlement."[i] The vote passed, with all opposition parties in favour. Prime Minister Paul Martin asked the Governor General to dissolve Parliament in late November, and the next general election was held on January 23, 2006. The Liberals saw voter intentions change rapidly as the Gomery Commission unveiled its findings, and the Conservatives won a minority, under Stephen Harper.

In response to powerful public reaction to the findings of the Gomery Commission, the new Harper government sought to demonstrate greater accountability and fiscal responsibility immediately upon taking office. Even before the Budget was tabled, the government released the Federal Accountability Action Plan on April 11, 2006, which proposed many reforms including the creation of a new Parliamentary Budget Officer.

In May, the Government of Canada released its first budget under Finance Minister Jim Flaherty. Delivering on an election promise, this Budget reduced the GST by one percentage point, effective July 1, 2006, with a further promise to reduce it again by the same amount by 2011. The lowest personal income tax bracket was also reduced by 0.5%, along with 27 other tax reductions "in every area the government collects revenue."[ii]

With a relatively strong fiscal situation and recent working memory in government of a wide-ranging expenditure review, the government also set twin targets in its first budget. First, it announced that the Treasury Board Secretariat would begin identifying additional savings of $1 billion for 2006-07 and 2007-08, with reports on results to be ready by fall 2006. The mandate was to conduct a quick review of federal spending plans as a new government, testing for relevance, efficiency and excellence. Second, it announced a new expenditure management system review, led by the President of the Treasury Board. This new system was to be based on the following three principles:[iii]

1. Government programs should focus on results and value for money.
2. Government programs must be consistent with federal responsibilities.
3. Programs that no longer serve the purpose for which they were created should be eliminated.

## Summary of Measures Taken

**2005**

- The February 2005 Budget, tabled by Liberal Ralph Goodale, stated that the Expenditure Review Committee had "scrutinized every line of government spending"[iv] and had identified $11 billion in savings. Details were published alongside the budget, and on a dedicated Expenditure Review website (now available only on the Internet Archive).
- Despite this, due to new expenditures in health care and equalization payments, program spending as a share of GDP was projected to increase. While this Budget did receive Royal Assent, it was the last Liberal Budget before a change in government in the fall of 2005.

**2006**

- The 2006 Budget confirmed it would not proceed with $7 billion in spending proposals earmarked in the November 2005 Economic and Fiscal Update, and established a savings target of $1 billion per year, over two years, starting in 2006-07.
- Despite an emphasis on accountability, the 2006 Budget also made significant new investments. For instance, the Universal Child Care Benefit program was created, with an initial investment of $3.7 billion.
- The Budget also highlighted an intention to provide quarterly updates on the fiscal situation, and to make budget decisions over a two-year planning horizon (rather than five.)
- In order to provide "honest and straightforward information on the state of our finances from an independent source," the Budget created a Parliamentary Budget Office (PBO).
- Budget 2006 also announced a review of the Expenditure Management System, with reduction targets of $1 billion in program spending.
- On September 25, Finance Minister Flaherty and Treasury Board President John Baird released the Annual Financial Report and Fiscal Reference Tables alongside a backgrounder on effective spending.[v] The backgrounder provided details on where the savings are to be found, organized into four principles (value for money; efficiency; non-core programs; and unused funds), broken down by department, over two years.

## Review Base

The spending base was effectively the same as for Expenditure Review 2005, estimated at $42 billion of non-discretionary, statutory, or otherwise committed spending (including major transfer payments and quasi-statutory spending).

## Scope

Estimated at $42 billion, the scope was effectively the same as for Expenditure Review 2005.

## Methodology

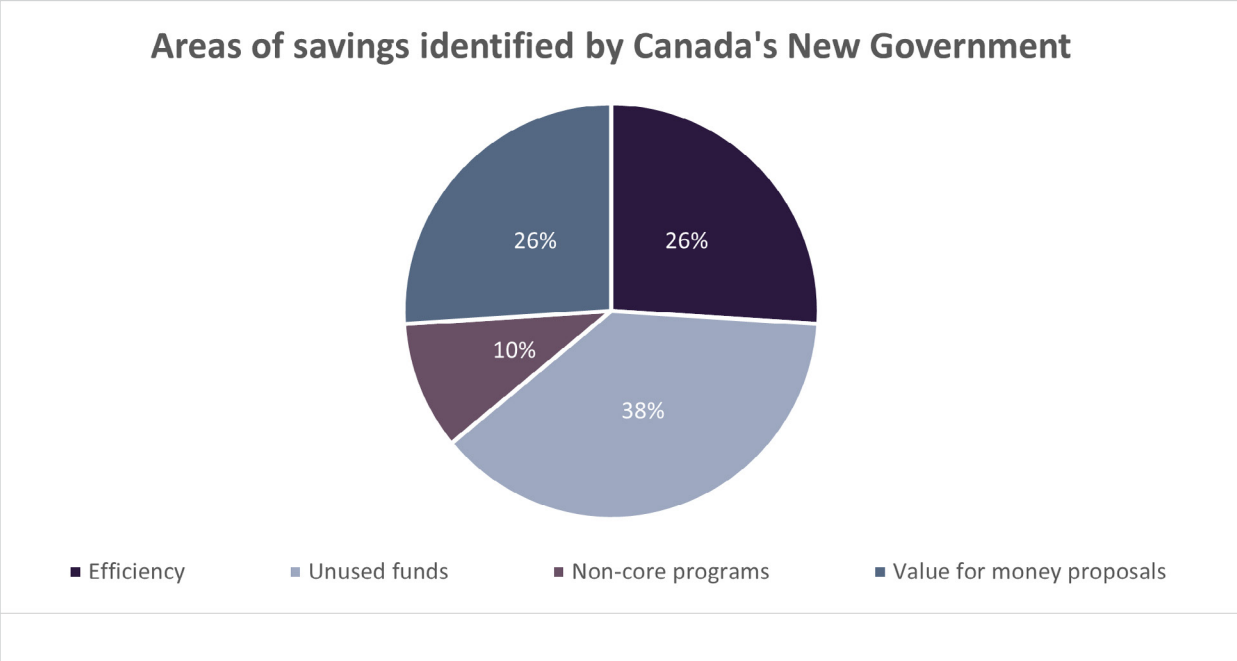
Over several months, the Treasury Board Secretariat reviewed proposals for Expenditure Review 2005 and sought additional elaboration or new proposals from departments. The primary motivation was speed, in order to show results to Canadians by the fall of 2006, within the first-year milestone of the newly elected government.

## Results

### Fiscal Savings

With a similar review base to that of the 2005 Expenditure Review, savings achieved amounted to 1% of the review base annually, assuming an even spread across the two years, equal to about $1 billion.

- Efficiency savings of $256 million
- Unused funds of $380 million
- Non-core programs totalling $100 million
- Value for money proposals totalling $266 million




*Source:* Treasury Board Secretariat website, 2006

According to the Efficient Spending backgrounder, the principles are defined as follows:

| Value for Money | Unused Funds | Noin-Core Programs | Efficiency |
|---|---|---|---|
| Funding for third parties to further their interests or programs that are not effective, do not achieve results or are being re-focused or targeted for improved effectiveness. | Funding for programs that will not proceed, funds in excess of what is required to achieve results or funds not needed due to lower than anticipated take up. | Programs or activities do not meet the priorities of the federal government or Canadians. | Savings from streamlining or consolidation of activities or from operational or program efficiencies, as well as programs or services that can be provided or are being provided elsewhere. |

Total program spending increased at an average annual rate of 6.9% in 2006-07 and 2007-08[vi]

## Workforce

No impacts were expected to the federal workforce.

## Machinery Changes

Cabinet was reduced in size. No significant machinery changes were made.

## Governance

The Treasury Board Secretariat coordinated the exercise, with review by PCO and the new government's PMO.

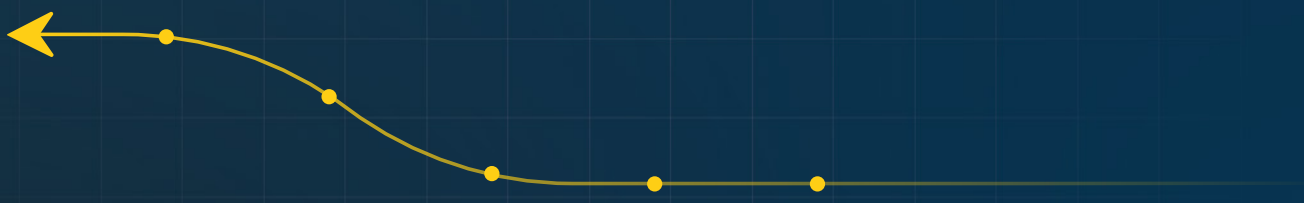
# Lessons Learned

**Impact on services to Canadians:**

- Specific programs were eliminated or greatly reduced, as detailed publicly on the 2006 Expenditure Review website (now available only on the Internet Archive).

**Impact on government operations and expertise:**

- 2006 Expenditure Review resulted in $256 million of efficiencies largely derived from reducing Cabinet size and departmental corporate operating costs.



# Strategic Reviews (2007-2011) and Budget Freeze (2011-2013)

> The world is passing through an extraordinary time. Canadians share in the global consensus that extraordinary times call for extraordinary measures.
>
> —Jim Flaherty, Minister of Finance, 2009

## Context

Entering 2007, the government found itself in an enviable economic and political context in which to set its agenda. Unemployment had reached a 30-year low, and Canada's fiscal fundamentals compared favorably to the G7 nations, and in particular, the U.S.

The Conservative-led government rolled out substantial new tax relief in its first two budgets, even as growth forecasts were being revised down in late 2007. Having sustained fiscal surpluses since 1998-99, the government's fiscal pressure from debt payments and accumulated deficit was greatly reduced. Tax cuts and related instruments were projected to provide up to $200 billion in reduced taxes over 5 years.[cv]

The 2007 Budget announced the development of a new expenditures management system. Largely based on the existing system, the new Expenditure Management Information System (EMIS) was implemented in 2007 even as Strategic Reviews begin. The system consolidated various other obsolete legacy systems and was intended to simplify and consolidate financial and results information[cvi]. A key pillar of this new system was the ongoing assessment of all direct program spending, or strategic reviews, on an ongoing basis, every four years.

A major Economic Statement in the fall of 2007 introduced significant new tax reductions on the strength of fiscal forecasts that still projected stronger growth. This forecast would not materialize, and by 2008, the U.S. had entered the Great Recession—a harbinger of the global financial collapse that would follow in the ensuing 18 months.

With Strategic Reviews underway, and despite the fact that the government had recently tabled legislation for set election dates, with the next to transpire in 2009, Prime Minister Stephen Harper asked the Governor General to dissolve Parliament in September 2008 and call a general election. Prime Minister Harper returned his party to power in October with a stronger minority.

The economic context shifted with the 2008 financial crisis, when the reviews more explicitly sought fiscal savings to offset deficits. Whereas Strategic Reviews in 2007 and 2008 aimed to demonstrate responsible spending by shifting from lower to higher priority areas, the reviews in 2009 and 2010 were designated explicitly for deficit reduction.

The fiscal update tabled in November of 2009 included spending cuts, a proposal to suspend the federal public service's ability to strike until 2011, and a change to political party financing.[cvii] Political reaction was negative, and the three parties in opposition entered into talks to form a coalition government, and to hold a confidence vote to defeat the minority government.

The Prime Minister appealed to the Governor General again to prorogue Parliament and end the weeks-old parliamentary session. This request was granted, thereby delaying the confidence motion and sidestepping a potential election call. In December, the Bank of Canada confirmed that Canada had entered into a recession.

Alongside the 2010 Winter Olympics in Vancouver, Budget 2010 signalled the path to end economic stimulus and wind down the Economic Action Plan. It launched multiple expenditure measures and reviews, including a general government operating freeze, government salary freezes, capital asset reviews, and more. From the Budget: "Treasury Board will set departmental operating spending levels for 2011-12 and 2012-13 at 2010-11 amounts, adjusted to reflect the expiration of operating budget authorities to deliver the Economic Action Plan. Practically speaking, salary and operating budgets of departments will be frozen at their 2010-11 levels in 2011-12 and 2012-13."[cviii]

| Summary of Measures Taken | |
|---|---|
| **2007** | • Within the context of restoring fiscal balance, the 2007 Budget increased Equalization and Territorial Formula Financing. It changed the Canada Social Transfer to a consistent per capita cash basis across all provinces and committed to doing the same for the Canada Health Transfer once it expires in 2014. Measures were intended to put major transfers "on a long-term, principles-based footing."[cix]<br>• The government also committed to limit the scope of federal spending power through increased reporting and a "Tax Back Guarantee" in which unplanned surpluses will be applied to the federal debt, and associated interest savings will be used to further reduce personal income taxes. By the fall's economic update in October, the government was accelerating its timeline to reduce the debt-to-GDP ratio and return to budgetary balance.[cx]<br>• The first of four Strategic Reviews began in the spring of 2007 and involved 17 federal organizations (including departments, agencies and Crown corporations), reviewing 100% of their direct program spending, with results rolled into the 2008 Budget. This amounted to $13.6 billion, or about 15% of total direct program spending.[cxi] The resulting $386 million identified through the review is reinvested. Results were reported in the 2008 Budget Annex, Responsible Spending. |
| **2008** | • The 2008 Budget, tabled in February, did not introduce any substantial new tax cuts, having unveiled substantial new ones in the fall economic update a few months earlier. The flagship measure was the creation of the Tax Free Savings Account (TFSA).<br>• The second Strategic Review saw 14 federal organizations assess their direct program spending, while six other organizations reviewed the government's human resources function. In total, $25 billion, or approximately 27% of all government program spending was examined.[cxiii] The resulting $586 million identified through the review is reinvested. Results were reported in the 2009 Budget Annex, Responsible Spending.<br>• The economic update in 2008 proposed a change to political party financing, the suspension of the right to strike amongst government workers, and a corporate asset review process. This update nearly resulted in a vote of no confidence. |
| **2009** | • The 2009 Budget was tabled two months after the Bank of Canada declared that the country had entered into a recession. It affirmed that it would take the advice of the IMF to "inject fiscal stimulus of 2% of gross domestic product (GDP) to reduce the effects of a damaging global recession."[cxiv]<br>• Spending was to be guided by the three principles of "timely, targeted and temporary." Spending was estimated at $30 billion, or 1.9% of the GDP. It was called the Economic Action Plan (EAP). |

| Summary of Measures Taken | |
|---|---|
| **2009** | • In the third year of Strategic Review, 20 federal organizations (including departments, agencies and Crown corporations) undertook strategic reviews of 100% of their direct program spending. In total, almost $26 billion, or approximately 23%, of all government program spending was examined. The resulting $287 million identified through the review was redirected to Budget 2010 priorities. Results were reported in the 2010 Budget Annex, Responsible Spending.<br>• In April, the government replaced the 2001 Evaluation Policy with the Policy on Evaluation. |
| **2010** | • Budget 2010—the second year of the EAP—the government released its plan to return to budgetary balance and withdraw economic stimulus. It pledged to:<br>• Wind down temporary stimulus,<br>• Restrain growth in spending by 17.6 billion over five years, and<br>• Undertake "a comprehensive review of government administrative functions and overhead costs" to accrue additional savings and improve service delivery.<br>• Both the Department of National Defence and the International Assistance Envelope (IAE) were affected. DND's budget growth was constrained by $525 million in 2012-13 and $1 billion annually beginning in 2013-14. The IAE, having just been raised by $364 million to meet an earlier commitment, was capped at the 2010-11 levels, to be reassessed on a year-by-year basis.<br>• Budget 2010 announced a salary freeze on the PM, Ministers, Members of Parliament and Senators for three years. It froze the budgets of Ministers' offices, and it maintained the freeze at 2008-09 levels for departmental spending on travel, conferences and hospitalities.<br>• It also announced that for 2010-11, departmental budgets would not be increased to fund the annual wage increase for the federal public administration; these costs were to be funded instead out of operating budgets. "Treasury Board will set departmental operating spending levels for 2011-12 and 2012-13 at 2010-11 amounts, adjusted to reflect the expiration of operating budget authorities to deliver the Economic Action Plan. Practically speaking, salary and operating budgets of departments will be frozen at their 2010-11 levels in 2011-12 and 2012-13."[cxv]<br>• Under the banner of government operations, this Budget also confirmed Strategic Reviews to identify the 5% lowest-priority and lowest-performing programs would continue, but that departments would no longer be asked to suggest reinvestments, as savings would be put towards the deficit.<br>• Budget 2010 also announced a comprehensive review of administrative functions and overhead costs, a renewal of the grants and contributions assessment processes, an (ongoing) Corporate Asset Management Review, and the reduction of 245 Governor in Council positions, about 9.1% of the existing 2,700 positions.<br>• In its fourth year, 12 organizations undertook Strategic Reviews, covering about $35 billion in program spending. In addition, the Department of National Defence used the strategic review process to identify the savings required to meet cuts in defence spending announced in Budget 2010. Savings of $1.6 billion were directed to Budget 2011 priorities including balancing the budget. Results were reported in the 2010 Budget, Responsible Spending. |

## Review Base

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**2010:** It its fourth year, 12 organizations undertook Strategic Reviews, covering about $35 billion in program spending. In addition, National Defence used the strategic review process to identify the savings required to meet the cuts in defence spending announced in Budget 2010. Savings of $1.6 billion were directed to Budget 2011 priorities including balancing the budget. Results were reported in the 2010 Budget, Responsible Spending.

In total, and including spending restraint by DND, Strategic Reviews resulted in $11 billion in savings over seven years, and $2.8 billion ongoing[cxix].

## Methodology

### Strategic Reviews

The Government of Canada introduced a revised Expenditure Management System in 2007 as part of an ongoing commitment to better manage government spending on a four-year cycle against a set of criteria Strategic Reviews undertaken between 2007 and 2010 conform to stated objectives of:

- **Increase efficiency and effectiveness.** Change the way the government delivers programs and services to be more effective and efficient.
- **Focus on core roles.** Focus on providing programs that are consistent with federal roles and responsibilities, and ensure services are delivered by those best positioned to do so.
- **Meet the priorities of Canadians**. Align federal activities with the needs and priorities of Canadians and eliminate programs that are no longer necessary[cxx].

As part of the strategic review process, departments and agencies were "required to identify a total of 5% of their program spending from their lowest performing, lower priority programs. These funds were proposed for reallocation to higher priorities. (Treasury Board of Canada Secretariat, 2010). The results of Strategic Reviews were published in the annexes of the annual federal budget.

## Governance

- A dedicated unit within TBS (EMS) coordinated requirements of the Strategic Reviews. Departments conducted their reviews internally, generating options for savings as well as areas for possible reinvestment. Review proposals were considered in a 'Star Chamber' by senior TBS (and possible other) officials from Expenditure Management Sector and Program Sectors.
- Strategic Reviews in 2009 and 2010 were more directive, with little or no opportunity for reinvestment. While governance was essentially the same, the goal was more explicitly tied to fiscal savings given the deficit after the 2008 financial crisis.

## Results

### Fiscal Savings

**2007:** Savings of $386 million were redirected to fund new initiatives, both within review organizations and to other government priorities announced in Budget 2008 (Table A3.1)[cxxi]. Of these, $258 million was reinvested in the International Assistance Envelope, $82M in the review departments, and $46 million in Budget 2008 priorities.

**2008:** Savings of $586 million were redirected to fund new initiatives as part of the Economic Action Plan, both within review organizations and to broader spending areas announced in Budget 2009[cxxii]. Details by department can be found in the Budget 2009 annex[cxxiii].

**2009:** $286 million, no reinvestments[cxxiv].

**2010:** $1 billion ongoing from National Defence, $1.84 billion from slower international assistance growth[cxxv.]

**Operating Budget Freeze 2010-11:** Ongoing annual savings of $2 billion forecast in the Economic Action Plan. Comprised of wage cost increases absorbed within departments' frozen 2010-11 operating budgets[cxxvi].

- In the 2012 Budget, the government reported on the Strategic and Operating Review, having identified roughly $5.2 billion ongoing, representing 6.9% of an aggregate review base of $75.3 billion. This represented less than 2% of expected federal program spending in 2016-17[cxxvii].

### Workforce

Strategic Reviews were not depicted as resulting in workforce adjustment.

Measures affecting workforce included attrition and (in 2010) legislated wage restraint (1.5% maximum increase, funded from existing departmental operating budgets)[cxxviii]. Testimony to the Standing Committee on Government Operations and Estimates (OGGO) confirmed that central agencies expected that wage restraint impacts would be felt largely through attrition and downsizing determined by deputy ministers[cxxix].

### Machinery Changes

**2008:** Six central human resources organizations conducted a horizontal review of the central human resources management and policy functions they deliver with a view to ensuring the efficiency and effectiveness of these functions. These six organizations were: the Canada Public Service Agency, the Canada School of Public Service, the Public Service Commission, the Public Service Labour Relations Board, the Public Service Staffing Tribunal, and the Treasury Board of Canada Secretariat. In addition, the Treasury Board Secretariat reviewed its approach to managing employee and pensioner benefits with a view to increasing cost-effectiveness and enhancing accountability.

As a result of the review, roles and responsibilities across the central human resources management organizations were aligned to reduce duplication and overlap. Changes were also made to reduce the costs of managing and administering benefit programs, and to better align benefit programs to employee and pensioner needs[cxxx].

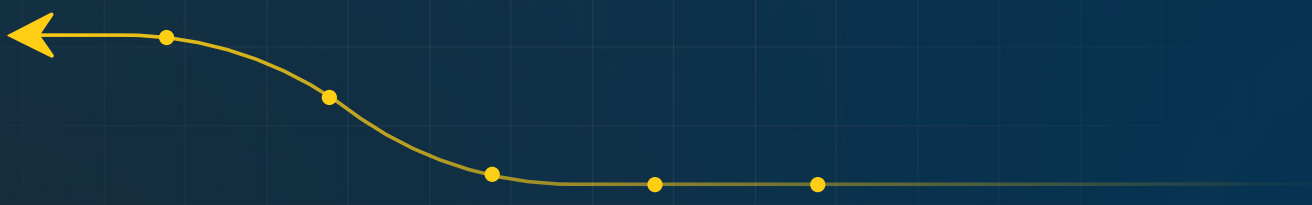
## Lessons Learned

Departments that undertook reviews earlier were the beneficiaries of reinvestments while also starting their savings earlier. Departments reviewed later were subject to the negative outcomes of a changing economic/fiscal position, but managed to delay reductions in their budgets. In the end, departments reviewed later ended up with net fewer ongoing resources

The process and administrative management of Strategic Reviews in 2007-08 and 2008-09 was heavy relative to the savings yielded. This was due to the generation and consideration of potential reinvestments.

**Impact on Services to Canadians:**

The Standing Committee on Government Operations and Estimates (OGGO) concluded that the impacts on services to Canadians could not be assessed meaningfully due to lack of information about operating reductions and the baseline from which they were taken. No centralized information existed (or exists now) to detail the specific departmental decisions[cxxxi]. Witnesses expressed concern that constrained operating budgets could have unintended effects, including a tendency to reduce oversight capacity in favour of program spending, and that this could render Canada vulnerable in situations such as a new pandemic or potential environmental, public health, or national security crisis[cxxxii].



# Strategic and Operating Review (2011-12)

The global recession required extraordinary investments to protect Canadians, to stimulate our economy and to create jobs. Canadians understand that a temporary deficit was necessary to limit the impact of the global recession in Canada—and all parties in Parliament agreed.

Going forward, **to secure our recovery we must now focus increasingly on controlling government spending**. We must complete the transition from providing temporary stimulus to ensuring long-term economic growth.

—Jim Flaherty, Minister of Finance, Budget 2011

## Context

Canada emerged from the 2009 recession with a structural deficit, but it was hardly alone. Other countries, such as the United Kingdom and euro area members including Greece, Portugal, Italy and Spain, for example, were also drastically reducing funding and services for their citizens to stabilize their fiscal positions.

Canada's deficit was due primarily to the stimulus spending under Canada's Economic Action Plan to address the global financial crisis, and was compounded by the introduction of tax relief measures in 2008[cxxxiii], including the final reduction of the GST to reach 5%, estimated at the time by the Parliamentary Budget Officer (PBO) to cost the government $14 billion annually.

In 2011, a new one-year Strategic and Operating Review (SOR) exercise was announced in the federal budget (also known as the Deficit Reduction Action Plan (DRAP)). It complemented the four cycles of Strategic Review and fiscal restraint measures announced in Budget 2010[cxxxiv]. Positioned as part of the government's plan to reduce the deficit and return to balanced budgets by 2015[cxxxv], the goal was to identify $4.0 billion ongoing fiscal savings target by 2014-15 by focusing on efficiency and effectiveness of programs and operations to ensure value for money by:

1. **Refocusing government and programs** by eliminating or reducing programs that can be delivered in other ways, for which demand is lower or which are no longer needed.
2. **Mak[ing] it easier for Canadians and businesses to deal with their government** by providing effective and efficient programs and services to Canadians at a lower cost and by reducing unnecessary red tape to allow businesses to focus on creating jobs and contributing to Canada's economic growth.
3. **Modernize and reduce the back office** by streamlining, consolidating and standardizing administrative functions and operations within and across organizations.

**Of note:** Immediately following the tabling of the Budget in March 2011, the government was defeated on a confidence vote, arising from controversies unrelated to the Budget. Prime Minister Harper once again returned his party to power, this time with a majority (166 seats). The Budget was resubmitted in June 2011 and passed swiftly.

In 2012, as the government continued to roll out stimulus under the EAP, it also reiterated its fiscal priorities of returning to balanced budgets, controlling program spending, and eliminating the deficit. To that end, the initial results of the SOR were announced: roughly $5.2 billion ongoing, representing 6.9% of an aggregate review

base of $75.3 billion[cxxxvi]. This included a proposed $0.9 billion due to workforce adjustment, affecting an estimated 12,000 employees, mostly in the National Capital Region (NCR).

In September 2012, a new Priorities and Planning Sub-Committee on Government Administration was named, led by Treasury Board Minister Tony Clement, to consider the government-wide enterprise solutions under review.

By 2013, progress under the SOR had been made; 16,000 public service positions had been eliminated, of which about 9,000 were attributed to attrition. It also reported on the common sense government-wide improvements. These included standardization of IT procurement in some respects, increased oversight and restrictions on government travel, and a shift towards electronic publishing.

Public sector unions were quick to draw the line between cuts and front-line services. But public sentiment followed thereafter. Correspondingly, the public service was showing strain; morale had fallen, sick leave had grown by 68% over the last 10 years[cxxxvii], and the Clerk of the Privy Council, Wayne Wouters, following a similar tack as that of Program Review, launched a public service renewal program known as Blueprint 2020 in his Annual Report to the Prime Minister[cxxxviii].

Though the last Conservative budget, tabled in spring of 2015, delivered on the long-standing fiscal objective of balancing the budget, it did not generate the electoral consensus intended, and the Conservatives failed to return to power in the October 2015 general election, losing 60 seats to the Liberal Party, led by Justin Trudeau. In total, the Liberals won 184 seats in 2015, the second best result in party history (eclipsing Jean Chrétien in 1993, by 7 seats)[cxxxix].

## Summary of Measures Taken

| | |
|---|---|
| **2011** | • Under the banner of the Economic Action Plan (EAP), the budget delivered fairly substantial new program spending, all while touting a return to balanced budgets and spending restraint. (In total, the EAP earmarks $60 billion in "extraordinary stimulus," of which the vast majority is intended to wind down within the 2010-11 fiscal year.)<br>• In addition to the operating freezes still in effect, the 2011 Budget pledged to "complete, within the next year, a comprehensive review of government spending" called the Strategic and Operating Review (SOR) (also known as the deficit reduction action plan, or DRAP), with the goal of achieving at least $4 billion in annual savings by 2014-15[cxl].<br>• This review built upon the four-year Strategic Review cycle that had just ended. However, whereas Strategic Review focused on low-performing or low-priority programs, the SOR sought savings through efficiencies[cxli].<br>• The Economic Update included a commitment from the Bank of Canada to renew the inflation-setting target for the next five years. |
| **2012** | • In the 2012 Budget, the government reported on the Strategic and Operating Review (SOR), identifying roughly $5.2 billion ongoing savings representing 6.9% of review base of $75.3 billion. This represented less than 2% of expected federal program spending in 2016-17[cxlii].<br>• Certain specific program spending measures were cited, including the elimination of the one-cent coin, and a reduction in production costs for the loonie and toonie by switching to plated steel cores, winding down the National Roundtable on the Environment and the Economy (NRTEE) and Katimavik, the elimination of the Advanced Leadership Program at the Canada School of Public Service, and winding down the Assisted Human Reproduction Canada program. |

## Summary of Measures Taken

| | |
|---|---|
| **2012** | • Grants and contributions programs at several departments were "streamlined." Back-office changes, including the consolidation of activities for like and similar organizations, were also highlighted.<br>• Budget 2012 announced workforce adjustments of 12,000 government positions over three years, mostly affecting the National Capital Region. This was expected to reduce spending by $0.9 billion.<br>• As part of "Responsible Expenditure Management," $3.54 billion of the Department of National Defence's funding profile was deferred to later years. Shared Services Canada, formally created in 2011, received a mandate to "deliver value for money" by reducing the government's footprint, increasing data protection, and modernizing IT services at an enterprise-level.<br>• It also proposed future changes to public service pensions, raising the retirement age from 60 to 65, and transitioning to a 50/50 contribution rate between employer and employee. Finally, it signaled the government will continue to adopt "telepresence and other remote conferencing technologies." Details on expenditures are covered in the Responsible Spending Annex, including a description of methodology.<br>• In September, the Prime Minister created the Priorities and Planning Sub-Committee on Government Administration to help identify "common sense improvements." Specifically, the sub-committee is to consider whole-of-government opportunities to improve services, uncover operational efficiencies, and increase internal productivity. |
| **2013** | • The 2013 Budget's major announcement was a commitment to eliminate the deficit and return to balanced budgets by 2015, specifically through "controlling direct program spending by federal departments." This budget noted it contains the smallest increase in discretionary spending in nearly 20 years.<br>• It reported on initial progress under the SOR including that, as of the start of 2013, "16,220 public service positions had been eliminated [...] of which 9,390 were achieved through attrition."<br>• With respect to the "common sense" back-office changes, the Budget specifically introduced:<br>◆ measures to cut departmental travel costs by $42.7 million or 5%, increase oversight, and to boost productivity by using modern alternatives to travel.<br>◆ reduced duplication in government information technology (IT) by standardizing and consolidating the procurement of end-user devices and transitioning to a single platform for federal email systems.<br>◆ improved access to government services and information by shifting to electronic publishing and improving the Government's web presence.<br>• Under the ongoing asset review, the government reiterated its intention to sell the Ridley Terminals Inc., a bulk coal terminal in British Columbia. The Priorities and Planning Sub-Committee on Government Administration also reviewed the administrative functions of both the CRA and Fisheries and Oceans Canada, identifying $60.6 million and $33 million in ongoing efficiency savings respectively, by 2015-16[cxliii]. |

## Summary of Measures Taken

| | |
|---|---|
| **2013** | • In September, the government divested 30 million common shares in General Motors, as part of its corporate asset review process.<br>• In October, the Speech from the Throne announced another freeze on departmental operating spending, to apply to the 2014-15 and 2015-16 fiscal years. |
| **2014** | • This budget continued to focus on the fiscal priorities of debt reduction and deficit repayment. It highlighted a new Treasury Board Sub-Committee on Government Administration (TBGA) which would examine opportunities for operational efficiencies. Areas for review included streamlining IT applications, simplifying the procurement system, modernizing federal office space management and rationalizing the vehicle fleet.<br>• Once again, $3.1 billion in National Defence funding was deferred to future years to align with the purchasing window of new equipment.<br>• However, by the fall, the economic update contained no further spending cut announcements; in fact, it restored the contingency fund, anticipating $3 billion per year to be set-aside. |
| **2015** | • In his first and only budget as Finance Minister, Joe Oliver announced the budget was balanced and forecast a surplus of 1.4 billion. The government changed power in October of 2015. |

## Review Base

$75.3 billion review base comprised of Vote 1 (operating) authorities listed in Main Estimates, excluding time-limited programs with no ongoing savings, user fees and vote netted revenue, major transfers, statutory authorities and certain non-discretionary spending (e.g. quasi-statutory programs). This covered 28% of spending[cxliv].

Organizations were given 5% and 10% targets focused on operating expenditures and efficiencies in administrative functions.

## Scope

Federal organizations listed in Schedule I, IV and V of the Financial Administration Act. Major transfers to persons and transfers to other levels of government were excluded from the scope of the review.

Crown corporations were asked to conduct similar reviews in their organizations to find administrative efficiencies and savings.

## Methodology

Organizations examined their spending and submitted proposals based on the following perspectives:

- **Operating efficiency:** To what extent are results being achieved efficiently? Can this activity be delivered at a lower cost or in a more effective way?
- **Internal services:** Are internal services (e.g. human resources management, financial management, communications) as efficient as possible? Can improvements be made to reduce any overlap and duplication?
- **Effectiveness:** To what extent is this program, activity or service achieving the expected results for which it was designed?
- **Affordability:** Is the program, activity or service a priority, and is it affordable during a period of fiscal restraint?

- **Relevance and need:** To what extent is there still a need for this program, activity or service?
- **Federal role:** To what extent is this program, activity or service consistent with the federal government's roles and responsibilities?
- **Organizational role:** Would greater efficiencies be achieved if another department or agency, a government service provider, or the private sector delivered the program, activity or service?

## Process

The Spending and Operating Review was led by the President of the Treasury Board, who chaired a "specially constituted committee of Treasury Board" to assess proposals[cxlv]. The SOR Committee (SORC) had external experts advise on designing a framework for the review, drawing from both public and private sector best practices.

The Treasury Board Secretariat (TBS) coordinated the exercise, including the composition of the review base and prescriptive templates to capture review proposals. Departments worked through the summer to submit minister-approved savings proposals to TBS by the fall of 2011 for consideration in time for Budget 2012.

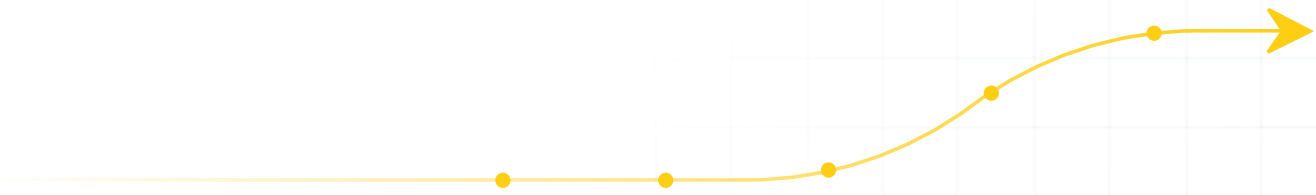
TBS hired consultants from Deloitte to provide direct advice to the SORC (i.e. not filtered or challenged by the public service) and to provide each department with advice on preparing its submissions for SORC.

In September 2012 the Prime Minister created the Priorities and Planning Sub-Committee on Government Administration to help identify "common sense improvements." Specifically, the sub-committee was to consider whole-of-government opportunities to improve services, uncover operational efficiencies, and increase internal productivity. The Committee's role was ultimately minimal in reviewing savings proposals, which was mostly carried out by the Treasury Board Secretariat in consultation with the Department of Finance and the Privy Council Office.

## Governance

Proposals were reviewed by external consultants, followed by the TBS Program and Expenditure Management Sectors' assessment of viability of each proposal and the savings proposed.

Proposals were then presented to the SORC, comprised of TB Ministers, and its recommendations were provided to Minister of Finance and the Prime Minister for final approval and announcement in Budget 2012.



## Results

### Fiscal Savings

The exercise yielded savings of $5.2 billion on an ongoing basis, representing 0.2% of Canada's gross domestic product (GDP) in 2016-17. Budget 2011 forecast a fiscal surplus of $8.2 billion by 2015-16, including these savings, though a small deficit of $0.55 billion was ultimately realized that year[cxlvi].

Detailed review savings are reported publicly on the Treasury Board of Canada website[cxlvii].

### Workforce

Estimates in Budget 2012 suggested that the total reduction in federal employment would be 19,200 positions, and that it would eliminate 12,000 net government positions, including 600 executive positions, mostly in the National Capital Region. One year later, the 2013 Budget stated that 16,200 public servant positions had been eliminated, 9,390 of which had been through attrition[cxlviii].

This reduction was about one-third of that experienced during the 1994-98 Program Review, which saw a reduction in federal employment of about 14% or about 50,000 positions.

Further, the planned reduction in employment would reverse only about 20% of the increase in federal public sector employment that had occurred since the late 1990s. Indeed, between 1998 and 2011, federal employment grew by approximately one-third, or 95,000, from just under 300,000 in 1998 to just under 400,000 in 2011[cxlix].

### Machinery Changes

Shared Services Canada was created to consolidate the email, data centre and network services of 43 federal organizations.

The Public Appointments Commission Secretariat and Assisted Human Reproduction Canada were eliminated.

# Lessons Learned

### Impact on services to Canadians[cl]:

- **Employment and Social Development Canada:** the number of contact centres processing employment insurance claims dropped from 120 to 22. This coincided with strong economic growth and a sharp drop in EI claimants. This drop in EI claimants and large increases in call wait times, dropped calls, and abandoned calls drove successful claims to a 40-year low.
- **Veterans Affairs:** Nine purpose-built service centres were closed, with people redirected to Service Canada locations. The government later reopened some of these offices due to pressure from stakeholders.
- **Canada Border Services Agency:** 1,100 full-time equivalent cuts led to a drop in the number of fake passports detected and the number of flights where full passenger information was vetted.
- **Canadian Radio-television and Telecommunications Commission:** 428-thousand-dollar reduction in anti-spam enforcement. (If you are still solicited regularly for duct-cleaning, or threatened with imaginary fines for missed CBSA paperwork, this could be why.)
- **Health Canada and PHAC:** Consolidated emergency management functions, transformed public health surveillance.

### Impact on government operations and expertise:

- **Fisheries and Oceans Canada:** a reduction in staff numbers meant fewer scientific assessments and lower reaction times from the shutdown of ten Canadian Coast Guard communications centres and the elimination of 300 FTEs.
- **Environment Canada:** a number of environmental assessment programs were eliminated or scaled back significantly after a 36% budget cut and 21% workforce cut.

> Ultimately, it was less about making strategic cuts, and more about finding savings to balance the budget after the outlays associated with the Economic Action Plan (Lindquist, 2022). By 2015, the combination of regimes placed Canada in a position to weather the effects of the global financial crisis as evidenced by a fairly steady debt-GDP ratio of 30% by 2015.
>
> —E. Linquist, Spending Reviews and the Government of Canada (2023)

> The Harper government forged ahead with program review, dismissing all criticisms as the ill-founded complaints of its political enemies. By the spring of 2015 then finance minister Joe Oliver was able to announce that the federal budget had returned to balance, with the government posting a modest $1.9 billion surplus. But by this time many Canadians were questioning the quality of public services the federal government was claiming to deliver, and morale in the federal public service had plummeted, with sick leaves having grown by 68% in the past 10 years.
>
> —D. Savoie (2015, 205)

# Resource Alignment Reviews (2015-2021)

The goal of the departmental reviews is to ensure that departmental spending is aligned with priorities and that programs deliver results for Canadians. While cost-savings may be a byproduct of the reviews, they are not the goal of the exercise. The ongoing monitoring of programs and services is simply part of good governance.

—News Release: Budget *2017 Departmental Reviews: Improving Results for Canadians*

## Context

The period between 2015 and 2021 did not emphatically target expenditure reviews or program reviews as a major political plank. However, a provision for results-focused "resource alignment reviews" was established in the 2016 Treasury Board Policy on Results (p. 3.2.3), which described such reviews as instrumental in ensuring "resources are allocated based on performance to optimize results." Moreover, a review of government spending was included in the inaugural mandate letters issued to the Minister of Finance (Bill Morneau) and the President of the Treasury Board (Scott Brison) in 2015.

Subsequent reviews fell into two categories: departmental and horizontal reviews. Very few details of the proposed approach to departmental reviews were broadcast publicly, and in some cases the departments reviewed were never made public.

The departmental reviews continued a pattern of bipartisan government efforts, including the 2006 and 2007-11 exercises, to focus on reallocation and improved management to generate the funds needed for new priorities. In practice, however, drivers for departmental reviews varied, and in several cases included the resolution of perceived management or performance problems and addressing program integrity issues.

The three horizontal reviews in 2016-18 were ad hoc, each aiming at improved management and alignment of areas of programming or policy that cut across multiple departments and agencies.

In the fall of 2019, Prime Minister Trudeau returned the Liberals to power as a minority government. The Economic and Fiscal Update, tabled December that year, signalled that the government would launch a comprehensive review of government spending. Due to the COVID-19 pandemic, the government did not publish a budget in the spring of 2020, and the fiscal "snapshot" published in the fall of 2020 was noticeably silent on any ongoing reviews or results. Another election was then held in 2021, resulting in another Liberal minority government.

| Summary of Measures Taken | |
|---|---|
| **2015** | • In his first and only budget as Finance Minister, Joe Oliver announced the budget was balanced and forecast a surplus of 1.4 billion. Budget 2015 proposed legislation that would legally enshrine certain conditions that would permit deficits in the future[cli]. The government changed power in October.<br>• Published in November 2015, the mandate letters for the Minister of Finance and the President of the Treasury Board included a commitment to conduct a review of tax expenditures and other spending[clii]. |
| **2016** | • Budget announced reductions of $221 million to professional services, travel, and advertising, but also promised to "eliminate poorly targeted and inefficient programs, wasteful spending, and ineffective and obsolete government initiatives," tasking the President of the Treasury Board with providing leadership on alignment of government spending with priorities.<br>• It further announced a review of federal tax expenditures, to be undertaken by the Department of Finance, to ensure they were "fair for Canadians, efficient, and fiscally responsible" with a plan to eliminate "poorly targeted and inefficient tax measures."<br>• The Budget signalled it would repeal the *Federal Balanced Budget Act*. It also noted its intention to reform the Estimates process to make spending more transparent and accountable[cliii]. |
| **2017** | • Budget 2017 announced reviews of three unnamed federal departments, as well as two horizontal reviews: federal fixed assets; and innovation and clean technology programs. To be led by TBS, the document committed to reporting on findings by 2018.<br>• The Budget also contained legislation to make the Parliamentary Budget Officer an independent Officer of Parliament, with a renewed mandate to focus on costing and financial analysis of the federal government.<br>• The Budget noted that "the government" will also introduce legislative changes to improve the organization and efficiency of government operations, as needed."<br>• In September, the government clarified that the three organizations selected for review were the Canada Border Services Agency (CBSA), the Canada School of Public Service and Health Canada[cliv].<br>• In the fall economic update, the government confirmed a change to the Standing Orders so that the tabling of the Main Estimates would take place in April rather than in March, so that budget measures are contained in the Main Estimates, on which parliamentarians vote. This was a follow-up to the 2016 commitment. |

| Summary of Measures Taken | |
|---|---|
| **2018** | • Budget 2018 announced a further horizontal review of skills programming.<br>• In the Economic Statement, the government noted that the Main Estimates were published after the Budget for the first time in recent years. In support of this, the government also announced a new TBS managed central vote (TB Vote 40), which aligned financial totals in the budget with those of the Estimates[clv]. |
| **2019** | • Budget 2019 included an annex summarizing the results of the Tax Expenditure Review and the expenditure reductions in professional services, travel and advertising (both announced in Budget 2016), as well as five departmental reviews: Transport Canada, Fisheries and Oceans Canada, Health Canada, CBSA, and the Royal Canadian Mounted Police[clvi].<br>• While the Tax Expenditure Review was estimated to save $3.72 billion in 2020-21 and the expenditure reductions another $221 annually, the departmental reviews yielded no savings, apart from $16 million annually reallocated within Transport Canada. Reported results focused on alignment of programs and mandate, and in some cases improved management practices or program delivery.<br>• Budget 2019 also included more detailed descriptions of results from the review of the Canada Revenue Agency (CRA) and the Horizontal Skills Review. The CRA review led to improvements in service delivery, including in digital services, the timely resolution of disputes between the CRA and taxpayers, and the provision of additional assistance to unincorporated businesses. The report on the Horizontal Skills Review did not identify specific recommendations or program changes emerging from it, but linked it to Budget 2019's announcement of the Canada Training Benefit.<br>• By the fall, the Economic Statement announced the first phase of "a comprehensive review of government spending and tax expenditures," targeting $1.5 billion in savings. |
| **2020** | • A budget was not tabled in 2020 due to the COVID-19 pandemic. |
| **2021** | • The 2021 Budget reduced the operating budgets of those departments and agencies with the highest historical travel costs, for a combined savings of $1 billion over five years, $222.5 million ongoing.<br>• In 2021, an executive summary of results of the Horizontal Fixed Asset Review was published on the TBS website.<br>• A snap election was called in the summer of 2021, returning a Liberal minority government to power. |

## Review Base

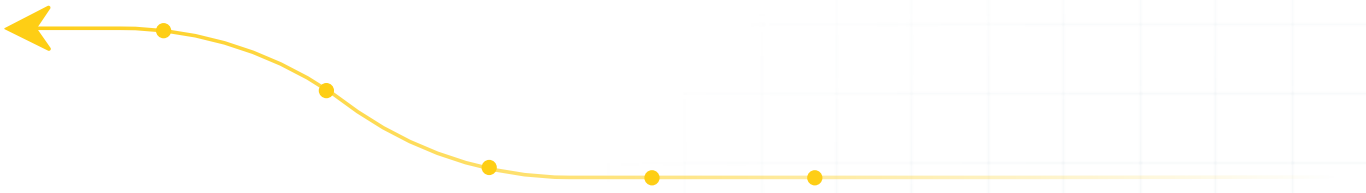
- Review bases were determined separately at the outset of each departmental review, often focusing on particular areas of program delivery, but in other cases looking more broadly. Capital expenditures and statutory spending were excluded, while grants and contributions were excluded in most cases.
- Horizontal reviews were not primarily scoped against a specified expenditure base, but with existing assets or programs.
- The Horizontal Fixed Asset Review included 32,000 buildings, 20,000 engineering assets, and 39 million hectares of land, together valued at some $100 billion and costing $10 billion annually to administer.
- The Innovation and Clean Technology review's preliminary inventory of business innovation programs (including those focused on clean technology) accounted for some $2.2 billion in spending across operating, grants and contributions, and capital spending in 19 departments and agencies.
- The Horizontal Skills Review included 106 programs across 30 federal organizations at a total cost of $7.5 billion annually, including operating and grant and contribution expenditures.

## Scope

Departmental reviews were conducted in the following organizations between 2016 and 2019:

- **Royal Canadian Mounted Police:** Began before Budget 2017 announcement.
- **Shared Services Canada:** Large IT projects (began before Budget 2017 announcement)
- **Fisheries and Oceans Canada:** Coast Guard assets (launched in 2017)
- **Transport Canada:** Focus on legal and regulatory modernization
- **Canada Border Services Agency**
- **Health Canada**
- **Canada Revenue Agency:** Service delivery model (launched in 2018)
- **Canada School of Public Service**

Departmental reviews did not consistently review all programs; most focused on particular program areas in accordance with the review mandate.



## Methodology

The eclectic composition and purposes of the various departmental and horizontal reviews were reflected in different review methods.

Most departmental reviews included assessments of each program using the "six tests" created for Program Review (1994-96) and subsequently adopted in Strategic and Operating Review (2011-12):

1. Does the programme or activity continue to serve a public interest?

2. Is there a legitimate and necessary role for government in this programme area or activity?

3. Is the current role of the federal government appropriate or is the programme a candidate for realignment with the provinces?

4. What activities or programmes should, or could, be transferred in whole or in part to the private or voluntary sector?

5. If the programme or activity continues, how could its efficiency be improved?

6. Is the resultant package of programmes and activities affordable within the fiscal restraint? If not, what programmes or activities should be abandoned?

Some departmental reviews added additional thematic questions or undertook separate lines of inquiry. For example, the Royal Canadian Mounted Police and the Canada Border Services Agency reviews included work on financial reporting, which proved in some instances inadequate to isolate expenditures to the program level.

The three horizontal reviews used different methods. Further work would be required to document and compare them.

## Process

All reviews were initiated via the budget process and were overseen, to varying degrees, by the Expenditure Management Sector and the relevant program sector at the Treasury Board Secretariat.

For departmental reviews, the "six test" templates were issued and, once completed, were received by the Expenditure Management Sector. Finance Canada and the Privy Council Office were, at minimum, apprised of progress throughout each review, and in some cases participated actively in overseeing their progress. As in previous departmental review exercises, departments themselves conducted the work of collecting, analyzing, and documenting program and expenditure information.

Each departmental review required the establishment of a joint steering committee of central agency and senior departmental representatives that met regularly throughout the review to discuss progress and provide direction.

Horizontal reviews were not subject to review or direction from the TBS Expenditure Management Sector or TBS program sectors but were instead led by temporary teams established for the purpose at TBS. Horizontal reviews established multi-departmental committees of involved departments to guide progress throughout the review.

All reviews generated recommendations, and could include organizational change, adjustments to expenditure allocations, management practices, or program structures (including realignments of programs between departments, in the case of horizontal reviews). These recommendations were presented to the Treasury Board by the relevant TBS lead (typically the TBS Program Sector for departmental reviews and the designated TBS lead for horizontal reviews).

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## Governance

For departmental reviews, their respective steering committees were the primary source of oversight over the process and the development of recommendations deriving from the review. In addition to department representation, the steering committee always included an independent advisor, hired by the department under review.

The independent advisor had two roles:

1. Provide guidance to the department throughout the review with a view to ensuring the review guidance issued by TBS was observed;

2. Provide the Treasury Board with an attestation, typically appended to the submission, that the review findings were accurate, and that the recommendations reflected the objectives of the review.

Membership on the steering committee always included representatives from the department under review, the TBS program sector, and the TBS Expenditure Management Sector. Finance Canada and the Privy Council Office were invited to sit on the steering committee, although attendance varied by review. Where relevant, the portfolio lead department for an agency had a seat on the steering committee.

## Results

### Fiscal Savings

Savings for the reviews conducted during this period were not material.

### Worforce

Reviews conducted during this time did not recommend workforce reductions, nor did they lead to spending cuts that affected the workforce.

### Machinery Changes

The Government of Canada established a new Policy on Results in July 2016 that aimed to improve how federal institutions measure, evaluate, and report results. This Policy also sought to improve how departments and agencies gather and use evidence to inform decisions. As of December 2018, all departments had fully adopted the new policy.

Changes to the Standing Orders of the House of Commons also allowed for the publication of the Main Estimates later in the year so that budget decisions and spending implications could be captured and presented to parliamentarians more clearly.

In June 2017, the government introduced, and Parliament passed, new legislation to make the Board of Internal Economy, the multi-party body of parliamentarians which regulates the internal affairs of the House of Commons, hold its meetings in public, in order to ensure greater openness, transparency, and accountability in the administration of Parliament.

Following the announcement in Budget 2018, a Central Performance Impact and Assessment Unit was established to undertake innovation performance evaluations on an ongoing basis (now called the Data Science, Research and Development Unit[clvii]).

# Refocusing Government Spending (2023-24)

## Context

After two years of emergency pandemic spending, the Government of Canada committed in Budget 2022 to begin normalizing the overall level of program spending. It established a declining debt-to-GDP ratio and maintaining long-term fiscal sustainability as key fiscal anchors and announced that the government would examine previous spending plans to reduce COVID-19-related spending by up to $3 billion over four years.

Additionally, it directed the President of the Treasury Board to lead a Strategic Policy Review, with two streams.

1. Stream 1 would assess program effectiveness, and

2. Stream 2 would identify opportunities for reinvestment[clviii].

It was estimated that this review will uncover $6 billion over five years, starting in 2024-25, and $3 billion thereafter. Though it committed to reporting on the status of the strategic policy review in 2023, no mention exists in that year's budget, or the Economic Statement that follows, nor in Budget 2024.

However, Budget 2023 announced continued efforts to scale the growth of government spending back to a pre-pandemic path, entitled *Refocusing Government Spending*. Under this banner, it announced a phased in 3% reduction of eligible spending by departments and agencies by 2026-27, reducing spending by $7 billion over four years, and $1.7 billion ongoing.

The 2023 Economic Statement announced that the government would extend and expand its efforts to refocus government spending with another phase, in the amount of $345.6 million in 2025-26, and $691 million ongoing. This brought total targeted savings to $15.8 billion by 2027-2028 and $4.8 billion per year thereafter.

| Summary of Measures Taken | |
|---|---|
| **2022** | • In the 2022 Fall Economic Statement, the government reduced spending by $3.8 billion, due to lower-than-expected need for COVID-19 supports in 2021-22. |
| **2023** | • Representing savings of $15.4 billion over 5 years (from 2023-24 to 2028-29) and $4.1 billion ongoing, Budget 2023 proposed:<br>◆ Reduced spending on consulting, other professional services, and travel by roughly 15% of planned 2023-24 discretionary spending in these areas. This would result in savings of $7.1 billion over five years, starting in 2023-24, and $1.7 billion ongoing. Focus on targeting these reductions on professional services, particularly management consulting.<br>◆ Phased-in reduction of roughly 3% of eligible spending by departments and agencies by 2026-27. This would reduce government spending by $7.0 billion over four years starting in 2024-25, and $2.4 billion ongoing. Not to impact direct benefits and service delivery to Canadians, direct transfers to other orders of government and Indigenous communities, or the Canadian Armed Forces.<br>◆ Reduced spending for the federal Crown corporations for an estimated $1.3 billion over four years starting in 2024-25, and $450 million ongoing. |

| Summary of Measures Taken | |
|---|---|
| **2023** | • It also announced a cross-government program effectiveness review to be led by the President of the Treasury Board and designated that skills training and youth programming will be assessed first.<br>• Building on the 3% reduction announced in Budget 2023 (Phase 1) the 2023 Economic Statement stated that would seek additional savings of $345.6 million in 2025-26, and $691 million ongoing (Phase 2). In total, Refocusing Spending efforts will amount to $15.8 billion by 2027-2028 and $4.8 billion per year thereafter.<br>• The Statement confirmed that it will recover $480 million over six years, for any previously announced investment that remains unallocated, is no longer required, or is being implemented too slowly. |
| **2024** | • To implement the second phase of refocusing government spending, Budget 2024 announced the government would seek to achieve savings primarily through natural attrition in the federal public service.<br>• Starting on April 1, 2025, federal public service organizations will be required to cover a portion of increased operating costs through their existing resources.<br>• Over the next four years, based on historical rates of natural attrition, the government expects the public service population to decline by approximately 5,000 full-time equivalent positions from an estimated population of roughly 368,000 as of March 31, 2024.<br>• Altogether, this will achieve the remaining savings of $4.2 billion over four years, starting in 2025-26, and $1.3 billion ongoing towards the refocusing government spending target. |

## Review Base[clix]

- The review base appears to encompass total voted budgetary estimates of $198.15 billion 2023-24, with exclusions related to military salaries, direct benefits to individuals and transfers to Indigenous communities. Agents of Parliament and small organizations were also excluded.

Phase 1 – Budget 2023 announced that:

- Refocus $14.1 billion over 5 years from organizations included in the Estimates and $1.3 billion over 5 years from enterprise crown corporations.
- Spending on professional services and travel would be refocused starting in 2023-24.
- Spending on operations and transfer payments would be refocused starting in 2024-25.

Phase 2 – The 2023 Fall Economic Statement announced that:

- The government will extend and expand its efforts to refocus government spending, in the amount of $345.6 million in 2025-26, and $691 million ongoing.
- Specific details about this process are being developed.
- Budget 2024 extended the Refocusing Spending effort with modest additional savings beyond those announced in the 2023 Fall Economic Statement.

## Scope

Budget 2023 targeted the organizations included in the Estimates and enterprise Crown corporations.

While refocusing targets were identified for organizations across the government, certain spending was excluded from this exercise. No targets were set for the Canadian Armed Forces (salary, operating and deployment/relocation expenditures), direct benefits to Canadians or transfers to Indigenous communities and other orders of government. This initiative also excluded agents of Parliament and small organizations.

## Methodology

Organizations examined their spending and identified proposals based on the following general framework:

- Is there still a legitimate and necessary federal role?
- Does evidence show it is effective (or not)?
- Can design or administration be improved to make it more efficient?
- Is it affordable during a period of fiscal restraint?
- Are there important dependencies or complementarities vis-à-vis other programs?

For each of the proposals, organizations provided information on any significant impacts to ensure that ministers were equipped to make effective evidence-based decisions. The following essential information was to be included for each proposed reduction:

- Fiscal cost by year from 2024-25 to 2028-29 (five-year profile) and ongoing;
- Allocation of reductions between (i) Operations, and (ii) Grants and Contributions;
- Identification of fiscal implications of dependencies or complementarities for other organizations (i.e. accounting for any cost-shifting);
- A high-level summary of the expected impacts on citizens, describing the extent to which the spending reduction is expected to translate into a reduction in delivery capacity, benefits or services. Impacts would be assessed using the Quality of Life framework, with separate sections for official languages outcomes and regional/local outcomes;
- Impacts on public service employment (measured in Full-Time Equivalents);
- Use of workforce adjustment provisions, where unavoidable; and
- Identification of any major risks related to the likelihood of the identified savings being realized, including stakeholder/communications risks, legal risks, operational risks, or risks for program integrity and high-level information on mitigation strategies.

## Process[clx]

For Phase 1, departments worked through the summer of 2023 to identify reallocations from across their portfolios and identify proposals that made the most operational sense, and to ensure that important services to Canadians and other priority areas were not affected as part of the exercise.

The Treasury Board of Canada Secretariat worked with departments to ensure that their proposals were sustainable and did not create service delivery or program integrity pressures. Proposals were also reviewed using various analytical tools such as the Quality of Life index, and Gender Based Analysis Plus.

During the fall of 2023, proposals were then reviewed by Treasury Board ministers to ensure appropriate oversight and to apply a pan-government view of all proposals.

For Phase 2, the 2023 Fall Economic Statement extended its efforts to refocus government spending in the amount of $345.6 million in 2025-26, and $691 million ongoing.

In total, the government's actions to refocus spending are estimated to achieve $15.8 billion by 2027-2028 and $4.8 billion per year thereafter.

## Governance[clxi]

For Phase 1, the Treasury Board of Canada Secretariat worked with departments to ensure that their proposals were sustainable and did not create service delivery or program integrity pressures. Proposals were also reviewed using various analytical tools such as the Quality of Life index, and Gender Based Analysis Plus.

Proposals were then reviewed by Treasury Board ministers to ensure appropriate oversight and to apply a pan-government view of all proposals.

Departments will report on their specific spending plans and progress through their Departmental Plans and Departmental Results Reports.

For Phase 2, details: Details are not available at the time of writing.

## Workforce

Budget 2024 noted that the public service population would decline "by approximately 5,000 full-time equivalent positions from an estimated population of roughly 368,000" based on historic attrition rates[clxiv].

The President of the Treasury Board Anita Anand stated "... there should also be no layoffs and little impact to public-service jobs, though some departments

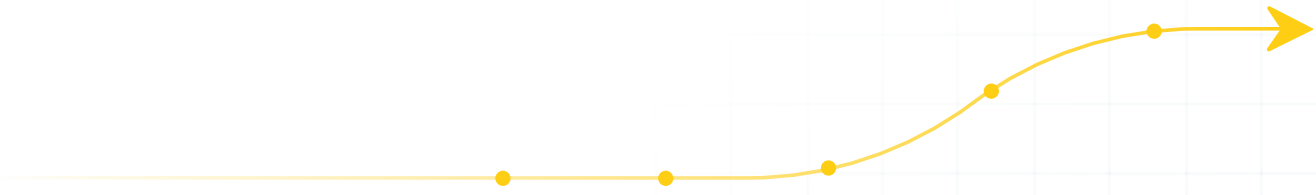
## Machinery Changes

At the time of writing, no specific machinery changes explicitly associated with the implementation of the refocusing government spending exercise have been announced. The primary focus is on reallocating funds to align with current priorities and ensure responsible spending.

# Results

## Fiscal Savings

- Budget 2023 announced a reduction to organizations' travel budgets and spending on consulting and other professional services. Reductions of $500 million for 2023-24 have been attributed and organizations will not be able to spend these amounts (frozen allotments in voted authorities in 2023-24), and the $500 million will lapse and return to the fiscal framework at the end of the fiscal year[clxii].
- The 2024-25 Main Estimates, tabled on February 29, 2024, listed the planned spending reallocations that will be implemented as follows: $2.3 billion in 2024-25, $3.5 billion in 2025-26 and $4.8 billion in 2026-27[clxiii].



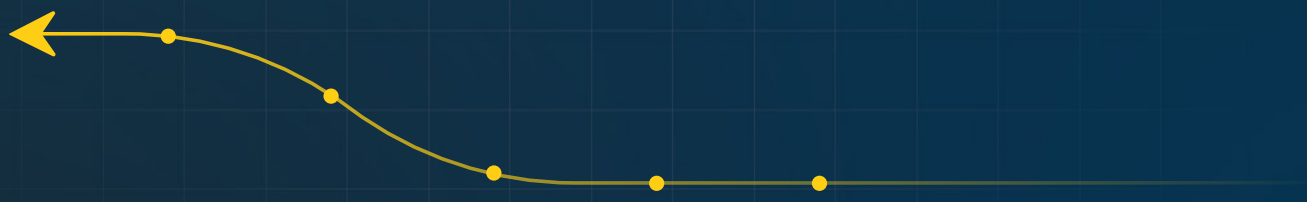
# Lessons Learned

**Impact on services to Canadians:**[clxv]

- The refocusing government spending exercise aims to optimize resource allocation and ensure responsible use of taxpayers' dollars. While the primary goal is to align spending with current priorities, there may be some impact on services to Canadians.
- For the fiscal year 2023-24, nearly all organizations (64 organizations, or 94%) did not report any reductions to services levels due to the spending reductions. Only four organizations reported some reduction to service levels.

**Impact on government operations and expertise:**

- Specific areas affected include consulting, professional services, and travel.



# Annex A: Timeline of Expenditure Management Changes

## 1950s

In 1951, the Financial Administration Act replaced the 1931 *Consolidated Revenue and Audit Act*. This new Act gave the Treasury Board the authority to make final decisions on a broad range of financial and personnel matters, previously handled by a committee of ministers. This move was heralded as a "major milestone in the effort of parliament to establish effective control over government expenditures."[clivi].

## 1960s

In 1962, the Royal Commission on Government Organization released its final reports. Led by businessman J. Grant Glassco, this foundational report was credited for recommending that "*government operations can be improved by adopting methods that have proved effective in the private sector.*"[clxvii] It is most known for famously stating that government must "*let the managers manage.*"[clxviii] As a result of the Glassco recommendations, the position of the Comptroller of the Treasury (which had existed since 1931 and was housed at the Department of Finance and answered to its minister) was eliminated, and the office moved to the Department of Supply and Services.

In 1966, the Treasury Board Secretariat, which had been part of the Department of Finance since confederation, was established as its own department and given responsibility for advising and overseeing expenditures, and the overall management of the federal public service.[clxix]

In 1968, then Prime Minister Lester B. Pearson formalized the Cabinet committee system through the creation of standing committees for the purposes of decision-making. He also established the Cabinet Committee on Priorities and Planning, intended to set priorities as a framework for spending decisions.[clxx]

In 1969, the Planning Programming Budget Systems (PPBS) was introduced to guide strategic planning based on six essential concepts: 1) setting specific objectives; 2) using systematic analysis to clarify objectives and assess way sot meet them; 3) framing Budgetary proposals in terms of achievement of objectives; 4) projecting costs over a number of years; 5) formalizing plans of achievement year by yea; and 6) developing an information system for each program that can supply data for monitoring and reassessing objectives and relevance.[clxxi] This system and approach strengthened the role of central agencies in advising and setting strategic priorities, and "to give to Cabinet and its committees detailed critical appraisals of the plans of other departments and agencies."[clxxii]

## 1970s

In his 1976 Annual Report, Auditor General J.J. Macdonald wrote "*I am deeply concerned that Parliament—and indeed the Government— has lost, or is close to losing, effective control of the public purse. [...] The present state of the financial management and control systems of departments and agencies of the Government of Canada is significantly below acceptable standards of quality and effectiveness.*"[clxxiii]

In response, the government created the Royal Commission on Financial Management and Accountability, led by Allen Thomas Lambert, then Chairman of the Toronto-Dominion Bank. Their final report, issued in 1979, builds on the Glassco report, arguing that "the managers of government **should be required to manage** their responsibilities in a way that would best serve the public interest."[clxxiv]

Even before the final report was tabled, the government had begun to take action, with the first "formalized program evaluation policy in Canada" known as Policy 1977-47 (*Evaluation of Programs by Departments and Agencies*).[clxxv] Under this policy, evaluation units within departments would report to the Deputy Heads, and program evaluations would be put on a regular 3-5 year cycle.[clxxvi] Adoption of the policy was poor; by 1981, only 12 departments out of 58 have evaluation functions.[clxxvii]

Also in response to recommendations in the Auditor General's report, the position of Comptroller General of Canada was established as a distinct entity, to report to the Treasury Board. In 1978, responsibilities were broadened to include financial management, internal audit, and program evaluation.[clxxviii]

Work was likewise underway to replace the existing Planning-Programming-Budgeting System, which had become inefficient, requiring enormous amounts of analysis.[clxxix] In 1979, the government, led by Conservative Joe Clark, unveiled the Policy and Expenditure Management System (PEMS).[clxxx] The system integrated planning, programming and financial allocation and gave departments more control over setting policy reserves, earmarking funds for new initiatives. While imperfect, this system back-ended expenditures until the early 1990s, and the need for a system that could help managers better-control the growth of spending was articulated and sought.[clxxxi]

## 1980s

To help departments better apply Policy 1977-47, the Office of the Comptroller General (OCG), led by H. G. Rogers, created a new Program Evaluation Branch, and published two key documents to support adoption of the Evaluation Policy:

1) The Guide on the Program Evaluation Function (1981), and

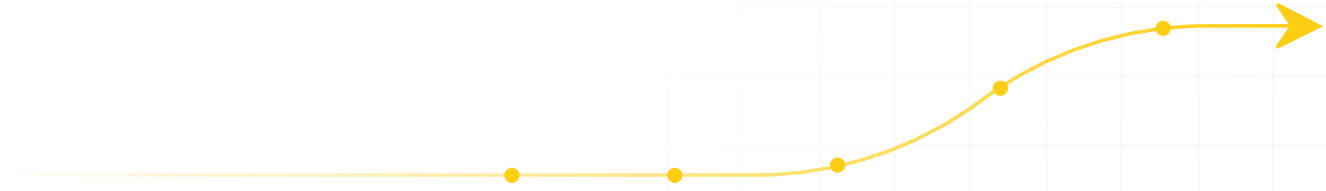
2) Principles for the Evaluation of Programs by Federal Departments and Agencies (1984).

The Guide emphatically noted that evaluation activities should include not just costs, but also impacts on people and society, whereas the Principles document was considered a companion document, dealing with "the actual process of a program evaluation." The purpose of the latter was to clarify certain elements of Policy 1977-47, especially the ad hoc nature of evaluation strategies, which were left to the "best judgment" of managers.

In 1982, the Treasury Board issued Policy 1982-8, with the goal of conveying "information on results of programs so that parliamentarians could carry out their duties to review expenditures more effectively."[clxxxii]

In 1984, amendments made to the *Financial Administration Act* enshrined "value for money" principles being advocated by the Office of the Auditory General, whose office was granted better access to Cabinet decision information in 1985.[clxxxiii]

There was a movement in the 1980s to install a common information system to support evaluation, leading to a 1989 guidance document entitled *Increased Authority and Accountability for Ministers and Departments* (IMAA) issued by the Treasury Board, as well as a related 1989 Working Standards document, issued by the OCG. These documents shifted decision-making away from those overseeing the program to "a mandated negotiation between the department and the Treasury Board in the form of a memorandum of understanding."[clxxxiv]



## 1990s

In 1993, the Office of the Comptroller General became part of the TBS Comptrollership Branch, and the role of Comptroller General was assumed by the Secretary of the TBS. Responsibilities were also expanded.[clxxxv]

A year later, TBS introduced the *Review Policy* (1994), a function comprised of both evaluation and audit that "sought to clarify the role of management and outside experts in the measurement process."[clxxxvi] It achieved the opposite, further muddying the distinction of roles and responsibilities.[clxxxvii] It was eventually replaced in 2001 by the *Government Evaluation Policy* (2001), the *Policy on Evaluation* (2009) and the subsequent and current *Policy on Results* (2016).

At the same time, partially in response to the Auditor General, the 1994 Budget announced that TBS would assume "a stronger central role [...] to do timely and independent evaluations of the effectiveness of government programs."[clxxxviii]

This is further expanded upon in Budget 1995, where it is noted that TBS will "undergo a fundamental change in its functions to support the widespread changes in programs and operations" and will "focus its operations on providing a framework for management of the public service; on resource allocation; and on providing leadership in innovation and management practices."[clxxxix]

In the early 1990s, the Policy and Expenditure Management Systems (PEMS) was also under review due to the perceived lack of fiscal discipline the system afforded. A new incoming government in 1993 led by Jean Chrétien, replaced the PEMS with a new system (simply, the Expenditure Management System, or EMS). While PEMS had been intended to "oversee growth of government activity in light of key priorities" the EMS specifically targeted restraint of government spending.[cxc]

Officially launched by then President Art Eggleton on February 15, 1995, the new EMS system formally eliminated central policy reserves and integrated decision-making about spending into the budget process. It required that departments produce documents on the outlook for their programs and expenditures so that standing committees and parliament itself would be more involved in the budgeting and estimates process.[cxci] It also intended that the EMS "will ensure that programs are permanently subject to strict cost control and evaluation."[cxcii]

## 2000s

In 2001, the government introduced a new *Evaluation Policy*, which aimed to support "the generation of accurate, objective and evidence-based information" to guide decision-making.[cxciii] The policy called for comprehensive evaluation coverage every five years..

The 2003 Budget included a commitment to strengthen the Expenditure Management System. Part of this commitment includes additional support for an ongoing project to consolidate certain information and analytical tools used through an expanded Expenditure Management Information System (EMIS). The EMIS is a collection of systems, applications, databases, and government-wide business processes, of which the Main and Supplementary Estimates is one output. Notably, this work was the result of several reviews conducted in the late 1990s, resulting in a project proposal for an expanded information technology system estimated to cost a total of $53.5 million[cxciv] The system was largely in place by 2009.

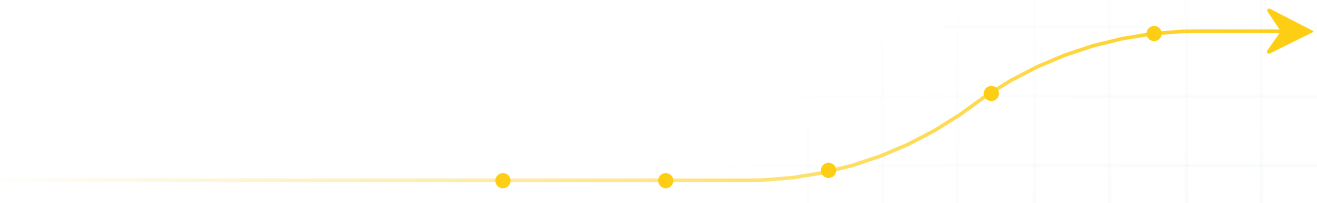
In June 2003, the Management Accountability Framework (MAF) program was introduced to "clarify management expectations for deputy heads, develop a comprehensive and integrated perspective on management issues, and determine enterprise-wide trends and systemic issues to set priorities and focus efforts."

In December 2003, a host of new changes was announced by Prime Minister Paul Martin, who came to office following the resignation of Jean Chrétien. This included the creation of a Cabinet Committee on Expenditure Review (ERC) to be chaired by the President of the Treasury Board and composed of senior ministers. The Committee was responsible for reviewing all spending, ensuring spending remained under control, and aligned with priorities, and that "every tax dollar is invested with care to achieve results for Canadians."[cxcv]

It also concomitantly announced that the Office of the Comptroller General of Canada (OCG) would be re-established, and the position of Comptroller General would be cast as a separate entity within TBS (instead of the Secretary holding both roles). The OCG's responsibilities are to include financial management and accounting policy, financial systems management, internal audit, and community capacity building.

By 2007, the government, led by conservative Prime Minister Stephen Harper, formally launched the EMIS in the federal budget, stating the system will "fundamentally change the way government operates." It stated that under the new system:

- Departments and agencies will manage their programs to clearly defined results and assess their performance against those results.
- The Treasury Board Secretariat will oversee the quality of these assessments and ensure that departments explicitly address risk as well as cost effectiveness.
- Building on these assessments, Cabinet will systematically review the funding and relevance of all program spending to ensure that spending is aligned with Canadians' priorities and effectively and efficiently delivers on the Government's responsibilities.
- Cabinet will undertake a rigorous examination of all new spending proposals, taking explicit account of the funding, performance and resource requirements of existing programs in related areas.



In 2009, the government released the *Policy on Evaluation* "in response to the increasing need for neutral, credible evidence on the value for money of government spending."[cxcvi] Introduced on April 1, it replaced the 2001 Evaluation Policy. The 2009 Policy and the associated directive and standard would do the following:[cxcvii]

- Establish evaluation as a function led by the deputy head, with a neutral departmental governance structure;
- Require comprehensive coverage of direct program spending every five years;
- Articulate core issues of program relevance and performance that must be addressed in all evaluations;
- Introduce requirements for program managers to develop and implement ongoing performance measurement strategies;
- Set competency requirements for departmental heads of evaluation;
- Set quality standards for individual evaluations; and;
- Require that evaluation reports be made easily available to Canadians in a timely manner.

Departments were given a four-year phased implementation timeline to develop capacity to meet these objectives; a risk-based approach was used during the transition to identify which components of direct program spending to evaluate. As noted in the 2014 Evaluation of the Policy on Evaluation:

Following the Policy on Evaluation transition period, which ended on March 31, 2013, all direct program spending became subject to evaluation, and by March 31, 2018, the requirement for comprehensive coverage will need to be met for the first time.

[...] departments could consider risk, program characteristics and other factors when choosing evaluation approaches and when calibrating the methods and the level of effort applied to each evaluation.

Selecting fewer and more targeted evaluation questions to examine the core value-for-money issues, or to focus on known problem areas of the program. Departments could also adjust the scope of evaluations by grouping programs rather than evaluating programs individually.

## 2010s

In 2012, a House of Commons Standing Committee on Government Operations and Estimates (OGGO) report entitled "Strengthening Parliamentary Scrutiny of Estimates and Supply" recommended changes to the Estimates process, with a view to improving the transparency of the documents and their relevance to parliamentarians.

The government responded with Empowering Parliamentarians Through Better Information, a report describing how it intended to "fundamentally change the Estimates process." It noted how work was already underway and that recent developments include the tagging of Budget items in Estimates, the introduction of a table in the 2016-17 Supplementary Estimates (A) reconciling the cash-based Estimates to the accrual Budget, and the creation of the Treasury Board Secretariat (TBS) InfoBase to provide an online, searchable database of government expenditure information."[cxcviii]

It also highlighted the evolution of the *Policy on Evaluation*, which had recently been reviewed and renewed. The review of the *Policy on Evaluation* in 2014 concluded that the Policy had "helped the government-wide evaluation function play a more prominent role in supporting the Expenditure Management System" but that a renewed policy needed greater flexibility to core requirements, greater support in the collection and structuring of performance results, and others.

The renewed policy came into effect on July 1, 2016, called the Policy on Results. It replaced the:

1. *Policy on Reporting of Federal Institutions and Corporate Interests to Treasury Board of Canada Secretariat* (2007)
2. *Policy on Evaluation* (2009)
3. Policy on Management, Resources and Results Structures (2010)

The new *Policy on Results* aims to improve how its institutions measure, evaluate, and report results. The Policy also seeks to improve how departments and agencies gather and use evidence to inform decisions. As of December 2018, all departments had fully adopted the new policy.

In June 2017, the government introduced, and Parliament passed, new legislation to make the Board of Internal Economy, the multi-party body of parliamentarians which regulates the internal affairs of the House of Commons, hold its meetings in public, in order to ensure greater openness, transparency, and accountability in the administration of Parliament.

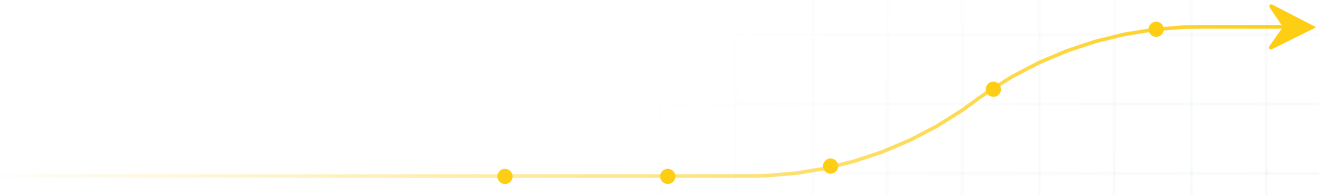
In the 2018 Economic Statement, the government noted that the Main Estimates were published after the Budget for the first time in recent years. In support of this, the government also announced a new TBS-managed central vote (TB Vote 40), which aligns financial totals in the budget with those of the Estimates.[cxcix]

Following the announcement in Budget 2018, a Central Performance Impact and Assessment Unit was established to undertake innovation performance evaluations on an ongoing basis.[cc] This team, housed at TBS and working with Statistics Canada, was focused on analysing the effectiveness of business, innovation, and growth support (BIGS) programs.

Changes to the Standing Orders of the House of Commons also allowed for the publication of the Main Estimates later in the year so that budget decisions and spending implications could be captured and presented to parliamentarians more clearly.

## 2020s

In 2023, Treasury Board Secretariat prepared a discussion paper on the 2016 Policy on Results and conducted a review, the findings of which were informally released in 2024.



# Annex B: A Note on the Data

Data underlying the analysis and figures presented in this study are drawn or derived from three sources, in order of trustworthiness:

1. **Official government sources:** Statistics Canada, Dominion Bureau of Statistics, Finance Canada Fiscal Reference Tables, Departmental Annual Reports, Budget Plan, Budget Speech, or similar reports by the Government of Canada.
2. **Statistical data from other institutional sources:** United States Federal Reserve websites, Bank of Canada, internal Treasury Board Secretariat databases (OCHRO, EMS Data Warehouse), and reputable third-party sources.
3. **Derived data:** Data points calculated from other fields or government information or notes. This is done when no other direct source of data has been identified.

Despite the overwhelmingly official composition of the data sources, crafting data series that span a century is a challenging undertaking. Statistical collection methods change. The universe of what is collected changes. Accounting and levels of aggregation change. Even with the greatest care, it is possible that the final series do not fully reflect the detailed statistical nuances captured within accompanying source notes.

This may occur for several reasons, but the greatest risk is in misunderstanding concepts or classifications of data that no longer exist and for which nuanced explanation is no longer available. Another risk is that the dis/aggregation of different segments of the series is done improperly. The authors are not methodologists but have applied their best professional judgement to err in a conservative manner. Great care has been taken to mitigate or document these risks.

In very limited instances, no data was available to reasonably infer information for certain years. In such cases, blanks or gaps appear in the data series and charts. It is important to specifically note that federal employee counts **and** salary/compensation include the Armed Forces and RCMP from 1970-71 onward due to a change in reporting methods. Compensation from 1924-25 until 1969-70 does **not** include the Armed Forces and RCMP. Nevertheless, trends related to compensation prior to 1970-71 and after are valid but display a shift in level.

Similarly, employee counts exhibit two series breaks due to changes in Statistics Canada reporting methodology: 1951-52 and 1969-70. While analysis using those specific transition years may not reflect changes that occurred at the time, trend analysis before and after these points remains valid and informative. Statistics Canada was consulted and confirmed the reasonable manner in which data series used in this study were connected.

The data collected on Spending Reviews and associated actions were reflected in official announcements of the undertakings themselves or in their results. Results were reflected wherever possible but, in their absence, announced intentions to reduce spending were captured.

**Notwithstanding these caveats, the resulting data series are directly useful in viewing trends and characterizing changes over time.**

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