

ISSN 0701-3086

PRE-PUBLICATION PAPER

The Program Review Process:
A Deconstruction

Gilles Paquet
and
Robert Shepherd*

WORKING PAPER
96-15

March 1996

* Robert Shepherd is a lecturer at the Faculty of Administration of the University of Ottawa, a Research Associate of PRIME and an Associate of The Regulatory Consulting Group Inc.

This paper is to be published in G. Swimmer (ed.) Life After the Cuts: Doing Less With Less, Carleton University Press 1996.

This working paper should not be quoted or reproduced without the written consent of the authors.

Revised version (March 19, 1996)

THE PROGRAM REVIEW PROCESS: A DECONSTRUCTION

Gilles Paquet and Robert Shepherd*

Robert Shepherd is a lecturer at the Faculty of Administration of the University of Ottawa, a Research Associate of PRIME and an Associate of The Regulatory Consulting Group Inc.

Paper to be published in G. Swimmer (ed.) Life After The Cuts: Doing Less With Less, Carleton University Press 1996

"Some circumstantial evidence is very strong,
as when you find a trout in the milk."

Henry David Thoreau

1. INTRODUCTION¹

Soon after the Chrétien government was elected in the fall of 1993, it was confronted with two crises, each demanding immediate and decisive action: the public finances crisis which called for a national debt containment and deficit reduction program; and, a crisis of governance generating demands for change in the structure and functioning of the federation. Together, these led the Chrétien government to initiate a strategy of *Government Renewal* aimed at: reducing federal expenditures; clarifying the core responsibilities of the Federal government and rebalancing the division of labour among the different levels of government and the private and not-for-profit sectors in the Canadian governance system; and equipping the federal public service with the tools necessary to improve the efficiency of public sector management.

Government Renewal incorporated four types of activities:

- (1) broad "policy reviews" in areas such as defence, science and technology, employment, social security, and foreign affairs, to determine the extent to which existing policies coincided with government priorities and capabilities;
- (2) an examination of the efficiency and effectiveness of federal departments and agencies where financial targets were set over a three year period commencing in April 1995; individual departments and agencies were given the responsibility to meet such targets according to their own priorities; overall, this particular activity came to be known as the *Program Review*;
- (3) a series of action plans were prepared in concert with provincial governments to reduce duplication and to improve overall operational efficiency in the federation; and,
- (4) an integration of various federal programs and initiatives designed to improve efficiency through alternative delivery systems for government services or through new technologies.

The purpose of this essay is to examine critically one aspect of Government Renewal - the Program Review. Our general diagnosis is that it has not been as effective as it might have been. It has undoubtedly triggered some expenditures reductions which are likely to continue. However, it has not generated a reform of the federation's governance system in keeping with the subsidiarity agenda that was the basis of the Program Review. Our contention is that this agenda was derailed until the October 30 1995 Quebec referendum. However there are signs that it could be put back on track in 1996.

Although the word subsidiarity is never mentioned in the documents connected with Program Review, the principle of subsidiarity underlies the series of tests proposed by the Program Review exercise. The principle is built on two assumptions: that individuals are competent and

capable of taking primary responsibility for their own welfare; and, that government can and must play a subsidiary or supportive role in helping the individual, and that this help can be provided more effectively, efficiently and caringly by organizations in close proximity to the individual.²

In the next sections, we examine first the historical context of the Program Review process and the rationale that underlies it. Then, we probe the workings of Program Review and attempt to deconstruct it drawing both from insights generated through senior government officials' interviews and from oblique external perspectives such as those provided by the reports of the Office of the Auditor-General. Finally, we examine critically the responses elicited by the Program Review exercise and we suggest some ways to refurbish the process in future phases so as to bring it closer to its original mandate. In the conclusion, we speculate not only on the recent anastrophe in the federal strategy brought about by the razor-thin victory of the federal forces in the October 30 referendum (and hinted at in the new 'master plan' that is purported to have been developed by the federal government early in 1996³), but also on the likelihood that these new initiatives geared to devolve federal responsibilities toward the other stakeholders will be carried out.

2. THE PROGRAM REVIEW PROCESS

From the 1930s to 1970s, governments became progressively more involved in the operations of the socio-economy. This involvement can be attributed to many factors: the failures of the *laissez-faire* capitalist system revealed by the Great Depression and the subsequent increased role of the state to ensure economic stabilization; the dawn of an era of greater protection of individuals in the face of interruption of earnings, sickness, or disability caused through work; and, the increasing demands placed on government generally by its citizenry.

As the pervasiveness of the state presence escalated, there were demands for greater scrutiny of government activities. Questions about whether governments were performing their task economically (i.e. cheaply), efficiently (i.e. doing things the right way) and effectively (doing the right things) have become of pivotal interest particularly since the late 1970s. Moreover, as government deficits were mounting during this period and public dissatisfaction with their governments was on the rise, this has led many to conclude that government operations might not be as economical, efficient and effective as might be desirable.

Questions regarding government performance rose to the top of the agenda in Canada during the 1980s. The Mulroney government created the *Neilson Task Force* in 1984 to explore various ways in which government could dispatch its work more economically, efficiently and effectively. Although the task force yielded many important observations, the impact of this multistakeholder exercise was practically negligible. This was due to the fact that the critiques of the "amateurish outsiders" asked to examine the federal government activities were often an easy prey for "well-informed insiders". Many recommendations, however well founded, could easily be shown to have been inadroitly couched and consequently were buried.⁴

During the late 1980s, a number of studies addressed certain organizational problems at the source of the federal government's performance: lack of vision and leadership in government

departments; problems of human resource management; lack of autonomy of front-line managers; and, the musical chair syndrome attributed to the frequent rotation of deputy ministers, every 22 months on average. A “vertical solitude” syndrome - a relative disconnection and lack of loyalty and trust on the part of junior executives vis-à-vis their superiors - was also uncovered which was attributed to the lack of a robust organizational culture: it would appear that “the middle management groups... have not internalized a consistent set of public sector values” and that their superiors “have not done a credible job of communicating a consistent view of public sector culture”. Among other things, this factor was identified as the source of the growing disconnectedness between senior bureaucrats and their executives.⁵ These indictments led the Mulroney government to launch a dual initiative late in 1989: Public Service 2000 (PS 2000) and the creation of the first Special Operating Agencies (SOAs).

PS 2000 was an ambitious top-down effort at public service renewal to ensure more efficiency and better quality in the services to Canadians through the creation of a more empowered and innovative workforce. The creation of the first five SOAs by decree was an effort to create organizations with a greater margin of managerial maneuverability and independence so that they might be able to increase their efficiency and improve the quality of services to the Canadian public. This new organization form was intended to be extended over time to the largest possible number of governmental organizations.

Both initiatives were managed from the very senior ranks of the public service and were designed to modify the structure and functioning of *government*. However, they did not question fundamentally the *governance* process. Moreover, there did not appear to be the robust political commitment necessary to ensure that these initiatives would be fully carried out. A number of reforms such as a revised *Public Service Staff Relations Act*, a new job classification system and new departmental budgetary procedures unfolded. However the sort of fundamental reform of government that had originally been envisaged and promised (politically, managerially and organizationally) never materialized for systemic reasons.⁶

As the federal financial crisis deepened with the recession of the early 1990s, it became apparent that nothing less than a critical rethinking of the state’s role and its operations in the socio-economy (i.e. of the governance process) was likely to yield the necessary solutions. This led the Mulroney government in 1991, to initiate a special study of the sort of fundamental governance transformation that would be required. This study was carried out by a “blue-ribbon” committee of independent experts under the leadership of Robert de Cotret. The report has never been made public, but it is widely understood that it proposed two families of transformations: a restructuring of ministries and a reframing of the role of central agencies.

In June of 1993, the influence of this study was felt when Prime Minister Kim Campbell implemented the first segment of the de Cotret report. She reduced the number of federal ministries from 32 to 23, regrouped the ministries in a more coherent way, and eliminated six cabinet committees (including the Planning and Priorities Committee). Redesigning the role of central agencies was not addressed despite the fact the committee believed it was necessary to permit the new ministerial structure to manage more freely and effectively.

As indicated by Glen Shortliffe in the *Second Annual Report to the Prime Minister on the Public Service of Canada 1993*, an advisory committee was created "to provide advice on the restructuring of government, with a focus on the reduction of costs, increased effectiveness and enhanced service to the Canadian public".⁷ Reorganization was planned to proceed in three phases. For the newly engineered departments that were created by Kim Campbell, Phase I involved building new structures and management teams. For the remaining departments, Phase I meant consolidation of existing activities and streamlining operations. Phase I ultimately led to the signature of performance agreements between each Deputy-Minister and the Clerk of the Privy Council. Performance agreements spelled out departmental priorities, expectations, and anticipated savings. Phases II and III called for operational rationalization and a fundamental re-examination of programs and services.

Despite the fact that the Liberal Party questioned the rationale of Kim Campbell's restructuring during the 1993 election campaign, it did not reverse the Campbell government initiative. Instead, it built on that initiative. Marcel Massé was designated as the Minister for Public Service Renewal and the Government announced the continuation of the Campbell government's reorganization initiative: Phases II and III were undertaken under the general rubric of Program Review. The announcement was made in the February 22, 1994 budget.

The philosophy of the Program Review and the guidelines for its implementation were spelled out in the form of six tests which were developed during the Winter of 1994 to assist federal departments and agencies in the review of their activities. These are presented in Table 1.

These six tests were intended to be a series of questions to be answered sequentially. They were to serve as filters or screens to assist in decision-making about the value-added of federal programs. One can view these questions as a decision tree. At each stage, a null hypothesis is put to a test and the burden of the proof lies with individuals who are knowledgeable about a program to demonstrate that the program meets all tests if they wish to defend it from cuts demanded by budget deficit reduction strategies.

One may divide the tests in four general stages. In Stage A (corresponding to the Public Interest Test), one poses the basic question of whether the activity under scrutiny continues, whatever its past merits, to serve a public interest. If not, it should clearly be a prime candidate for termination. If it serves a public interest, it must then be subjected to the Stage B tests (the Role of Government, Federalism and Partnership Tests).

Stage B attempts to address governance and applies roughly the subsidiarity test. That is, once it has been established that the program serves a public interest, it must then be determined whether the federal government should take responsibility for it or whether the activity can be devolved, in whole or in part, to the provinces or the private or voluntary sector. The subsidiarity principle suggests that the federal government should be involved only in circumstances where other sectors or governments cannot perform the activity satisfactorily. The option of creating partnerships is welcomed.

If the program or activity passes both Stage A and B tests, then the Stage C test must be applied (Efficiency Test). The principal question posed is whether the program or activity can be

delivered more efficiently than is the case at present. If so, alternatives must be proposed to improve efficiency and hopefully, effectiveness.

Table 1
Six Tests of the Program Review

TEST	PURPOSE
Public Interest Test	Does the program area or activity continue to serve a public interest?
Role of Government Test	Is there a legitimate and necessary role for government in this program area or activity?
Federalism Test	Is the current role of the federal government appropriate, or is the program a candidate for realignment with the provinces?
Partnership Test	What activities or programs should or could be transferred in whole or in part to the private or voluntary sector?
Efficiency Test	If the program or activity continues, how could its efficiency be improved?
Affordability Test	Is the resultant package of programs and activities affordable within the fiscal restraint? If not, what programs or activities should be abandoned?

It cannot be assumed that the program will pass the Stage D test of “affordability” even though it has been shown to be a federal program activity that serves a public interest, that only the federal government can provide, and is most efficiently despatched. The tests of Stages A, B and C demand a degree of evidence to demonstrate a pass or failure, the results of which can be debated and/or adjudicated. However, the question of whether the federal government can afford such an activity (Stage D) is subjective because only the federal government is authorized to determine what it can afford. Such a decision obviously depends on the financial constraints ascribable that the Canadian government must face that are attributable largely to the deficit and debt situation.

In the Spring of 1994, the six tests and national targets for expenditure reduction were communicated to all departments and agencies. In June 1994, the Program Review Secretariat was created in the Privy Council Office. The role of the Secretariat was to analyze departmental responses in their strategic plans. In the late spring, Marcel Massé met with all departmental coordinators for Program Review to discuss implementation. During the summer, departments and agencies finalized their strategic plans and submitted them in the autumn to the Secretariat for analysis.

During the Fall, the departmental plans were analyzed by the Secretariat with the assistance of the Department of Finance and the Treasury Board Secretariat. Once completed, the departmental and agency plans were submitted to a committee of deputy ministers, under the chairmanship of the Clerk of Privy Council, Jocelyne Bourgon. The committee was charged with assessing the plans and whether they were in keeping with the guidelines assigned. The members of this Committee of Deputy Ministers were: Mel Cappe, David Dodge, Robert Giroux, Peter Harder, Suzanne Hurtubise, Ranald Quail, Janet Smith, and Wayne Wouters. Those plans that did not meet the expectations of the committee were returned for additional work. The Program Review Secretariat at the Privy Council Office was charged with the follow-up.

The results of the work of this committee were then presented to the Ministerial Coordinating Committee for Program Review, chaired by Marcel Massé and comprised of Sheila Copps, Art Eggleton, Herb Gray, Sergio Marchi, Anne McLellan, André Ouellet and Brian Tobin. This process led to a further screening and generated a range of decisions regarding government operations which were presented to Cabinet and incorporated into the February 27, 1995 budget.

Throughout this elaborate process, a number of departments and agencies were required to perform additional work on their strategic plans before any firm decision could be made regarding particular operational areas. A number of such files were discussed in weekly meetings in the late Fall of 1994 and were eventually transferred to the second round of Program Review slated for 1995-1996.⁸

3. A DECONSTRUCTION OF THE PROGRAM REVIEW PROCESS

In the best of circumstances, an evaluation of Program Review would ascertain the degree to which the two basic objectives have been achieved (i.e. to respond to fiscal pressures; and, to redesign the federation's governance system), and the extent to which the objectives have proved to be complementary or conflicting. This has been undertaken at the departmental or agency level in a number of chapters of this book. Our goal is to analyze the process *in toto*.

This sort of evaluation has proved more difficult than had been anticipated for a variety of reasons. First, much of the work conducted at the level of the Bourgon and Massé committees is not supported by any detailed available documentation. This circumstance is not a matter of neglect. Respondents have made it clear that the lack of documentation results from a deliberate decision to leave no paper trail. Indeed, it has come to our attention that the Office of the Auditor General has been unable to obtain any Program Review process documentation for the purpose of audit. All relevant documentation has been declared 'advice to the Minister' and therefore privileged communication not subject to the usual audit. Second, our interviews with senior officials connected with the process have proved perplexing. Senior departmental officials tended to underscore flaws in the Program Review process, while senior central agency officials were more disposed to declare Program Review a success although they were quite vague when asked what criteria they used to arrive at such an assessment.

These conditions have shaped our deconstruction strategy. This strategy is threefold. First we sketch very briefly a framework to guide our work. It proposes four plausible criteria that may be used to arrive at an evaluation of the process. This framework forms the basis of our diagnosis about Program Review. Second, we address the formal structure of the Program Review process. We examine critically its internal coherence, its ambiguities and its contradictions in order to make sense of its evolution over the last two years. Third, we mention a few instances of *dérapiage* (slippage) in the outcome of the Program Review process, purely for illustration purposes. These nuggets of information have been gleaned from evaluative work completed by the Office of the Auditor General which surveyed the same territory recently using other methods. These are not meant to be substitutes for the Program Review process in each agency or department. We merely wish to highlight that circumstantial evidence would appear to confirm that Program Review may not have been immune to both errors of Type I (rejection of demonstrably desirable programs according to the six tests) and errors of Type II (perpetuation of demonstrably less desirable programs according to the same tests).⁹

A. A Framework

We have retained four criteria in our evaluation of Program Review. These are:

1. the extent to which the Program Review was instrumental in implementing a philosophy of subsidiarity;
2. the extent to which it has effected a profound organizational reform of the governance system;
3. the extent to which it examined seriously the efficiency and affordability of all existing federal programs and the degree to which delivery mechanisms were enhanced; and,
4. the extent to which it has generated significant reduction in federal government expenditure levels.

To gauge Program Review according to these four tests, we have drawn from three sets of observations: first, a summary of the planned federal expenditures reductions and re-allocations reported in the February 1995 budget, in Paul Martin's economic statement of December 6, 1995 and in the March 6, 1996 budget; second, a set of interviews with persons closely connected with Program Review; and, third, a gleaning of supportive evidence from parallel evaluation efforts by the Office of the Auditor General to corroborate interview evidence.

In essence, we have come to the conclusion that Program Review has drifted away from its original rationale that was embodied in the six questions. What was originally envisaged as a rethinking and reframing of the role of the state within Canada's governance system and of the role of the federal government within it, was already dwarfed to an exercise of federal expenditure reduction by the end of 1994 and to an efficiency-seeking exercise by the end of 1995. The extent to which this drift was intentional is far from clear. Our impression is that much of it evolved by default. Although it must be left to the specific chapters of this book to determine whether there has been a significant increase in the efficiency of delivery mechanisms *within the existing governance system* (criterion # 3 above), one may propose a broad diagnosis about the relative success of the Program Review on the basis of the other three basic criteria.

As a federal expenditures reduction strategy, Program Review has been relatively successful.

Although a number of federal programs (and in particular those pertaining to major transfers to persons and other levels of government) have remained unscrutinized, there is little doubt that this exercise led to an important list of federal expenditure reductions as witnessed by the February 1995 budget. It must be noted however, that it is extremely difficult to determine to what extent Program Review has gone far enough fast enough. There are widely divergent points of view on this question.¹⁰

As an exercise of organizational reform of the federal governance system, Program Review has received various and mixed evaluations.

Some, like Arthur Kroeger¹¹, have heralded Program Review as a part of a critical change in the governance system. However, this view is based much more on the change in the transfers to the provinces and the proposed Canada Social Transfer than on the impact of Program Review *per se*. Others, and we are of this view, fail to see anything of the sort. Despite the importance of the budget cuts, it cannot be said that the governance system has been re-engineered. Only if one assumes a systematic follow-up of Program Review (and not only in Year I and II) where more fundamental re-organizations are forthcoming, can one conclude that a metamorphosis of the governance system has commenced. It may be that the results of the October 30th referendum will trigger such a move, but, the experience to the end of 1995 has not generated significant organizational reform except in some very well-defined areas and mainly as an unintended consequence of the strategy of overt federal expenditure reduction.

As an exercise to implement a philosophy of subsidiarity, it can be argued that the Program Review has been ineffectual.

Given the language of subsidiarity of the six tests, one can only be startled by the fact that the federalism and partnership tests have all but been eliminated from the consciousness of program assessors. The only important devolution activities that have emerged recently (outside of spectacular moves at Transport Canada and in very few other agencies) have been embodied in the Canada Social Transfer: a unilateral disengagement of the federal government rather than reasoned devolution with appropriate compensation, a policy move that has nothing to do with Program Review. Even though a redefinition of the federal government's role does not necessarily mean that it must be smaller in every case, one can point to a sufficient number of recentralization initiatives that have been implemented where a good case can be made for decentralization (i.e. from insistence on maintaining centralized norms and standards, to serious instances of selective inattention to new realities like local systems of innovation in Canada when rethinking reasonable industrial policy) to mount quite an indictment of the Program Review on the subsidiarity front.¹²

B. Scrutinizing the Process

Various aspects of the Program Review process were significant enough to merit attention. They may help to explain why the process evolved the way it did.

An important facet of the Program Review is that it has been conducted entirely by *insiders* (i.e. senior political and bureaucratic officials who were likely to bear the brunt of any serious transformation of the governance system). In some cases, there was involvement from junior bureaucrats. However Program Review has been immunized against any meaningful input by both the stakeholders/clients of the agency and the citizenry and its elected officials. This sort of curious approach resembles that of the Public Service 2000 exercise and stands in opposition to the traditional precepts of a democratic society where the citizenry has the moral right and obligation to decide how it wishes to be governed and a say in any process which proposes to change that system. Canada has opted in the past to utilize mechanisms like royal commissions, external evaluative reviews, etc. or at a minimum, to institute some consultation process with stakeholders and the public who have a direct interest in the change. In this case, the process was orchestrated from the top with limited internal consultation and without any meaningful external consultation in most instances.

While "outsiders" are often easy to finesse, it is less true when they are important stakeholders. Moreover, when stakeholders and citizens are involved, one may expect the politicians to be more likely to stand up for the policy decisions proposed. In both PS 2000 and the Program Review, the limited attention accorded the process by the politicians and their relative lack of concern about the policy outcomes (except in so far as they brush against broad political sensitivities) could only indicate that the dual focus on governance transformation and deficit reduction would not be maintained.

Program Review may have required each department and agency to assess each program on the basis of the six detailed criteria. However, there is no assurance that this was done in a systematic manner. Indeed, nothing better summarizes the view we have obtained from senior public servants (outside of Treasury Board and the Department of Finance) than the following statement, registered on July 18, 1995, from a very senior public servant with extensive

knowledge of the review process.

From my perspective, the Federal Program Review, while producing dramatic results in terms of dollars or job cuts, was primarily a scramble for cash, and did not represent a "re-design" or "re-invention" of government as had been claimed by some. Federal Departments cut what could be cut, and little real attention was paid to the six starting criteria.

There was little or no attempt made to examine the structure and process of government on a horizontal basis, to lessen the pressures which require departments to incur such enormous overhead costs (e.g. the massive impact of bloated Central Agencies and their multiple controls and demands on departments, the costs of the unwieldy, obsolete and ineffective personnel system - which every critic since Glassco has vainly tried to reform - and the unduly centralized and control-oriented financial and administrative systems).

There is little evidence that the Program Review was either strategic or guided by any overall notion of where this will take the Federal role.¹³

The criteria utilized by the Bourgon and Massé committees to determine review priorities with respect to the governance system have not been made clear to the public. No blueprint or strategic plan or set of guiding principles had been prepared for these two committees to assist them in their work. Consequently, they were ill-equipped to focus on the elements of the governance system that could not easily be transferred to the lower order governments or, to identify the nature of the coordination, harmonization or co-decision institutions that would be necessary to ensure the requisite coordination among levels of governments in the event that some devolution might be envisaged as a result of Program Review. There was no general set of principles akin to those André Burelle has suggested¹⁴ to help these committees arbitrate such matters.

An important consequence of such an absence of a guiding philosophy is that the possibility of exploring important measures of devolution was minimized. It could not be otherwise given that any considered opinion about the conditions for the feasibility of such actions was absent. The lack of benchmarks to assess meaningful suggestions under the rubrics of the federalism test and the partnership test could only lead to those most important dimensions of the governance agenda being marginalized. Even as general a principle as subsidiarity provides a basis to proceed with a plausible re-allocation of responsibilities among levels of government and between government and the private and not-for-profit partners. No such principle would appear to have been used by the Bourgon and Massé committees.

From the very beginning of Program Review, the Office of the Auditor General appears to have been frustrated at the limited extent to which the results of the Government Renewal initiatives have been reported.

We have a long history of reform attempts that did not achieve their goals; a breakthrough is required! Strong central leadership - political and bureaucratic -

will be required. Furthermore, a regular and timely report is essential - a report that is based on a more systematic assessment of progress toward the government's public service aims, and that reflects results of importance to parliamentarians and to Canadians more generally ... providing the information necessary to permit Parliament to fulfil its related oversight responsibilities.[Report of the Auditor General of Canada, 1994, 1-22, 1-23]

It is our understanding based on respondent statements, that this general position generated much unease in late 1994, but not enough to elicit serious and enlightening reporting. Because the Office of the Auditor General was denied access to basic information, the audit of the Government Renewal process which was expected to emerge in its 1995 Report did not materialize.

However, there has been a formal report to Parliament regarding the Program Review. It was submitted in November 1995 by the President of the Treasury Board, Art Eggleton.¹⁵ The report is a most illuminating in that it redefines the very notion of Program Review. The "review" is not defined in terms of the six principles stated at the origin of the program but as "a set of methods for finding answers to crucial questions, such as how well we are doing and could we do better?"¹⁶

The focus is not on "substance" but on "methods". Art Eggleton states that "this report is a snapshot of what review methods are being used in the federal government". Program Review is reduced to a modest portion of the panoply of on-going review activities designed to examine "the need, affordability and efficiency of all programs".¹⁷

By the Fall of 1995, the federalism test and the partnership test would appear to have been essentially removed from the Program Review objectives. Moreover, Program Review had been diffused and diluted by drowning it in a sea of on-going "audits, evaluations and reviews". Likewise, its governance component had been set aside and replaced by a focus on *quality services* more or less recycled from the PS 2000 exercise.¹⁸

The focus on "improved performance" and on "result-based management" of the *quality services exercise* had become the new centre of gravity. By concentrating exclusively on economy and efficiency (and quality) and eliminating the concern about effectiveness from the agenda, the Treasury Board Secretariat had declawed the Program Review process and immunized the federal government and the federal public service from the effects of subsidiarity.¹⁹

Until March 1996, there was limited attention accorded to the Efficiency of the Federation exercise. This portion of the Government Renewal process, despite some remarkable breakthroughs²⁰ at the administrative level, provides additional evidence that little weight was afforded to the federalism test overall. Administrative aspects, including issues surrounding efficiency, were left to individual departments to pursue as appropriate. General efforts to orchestrate federal-provincial fora on a cross-departmental basis were abandoned.

It is only on the occasion of the March 6, 1996 budget that matters of overlap and duplication at the federal-provincial level came to be singled out as a central issue both for deficit reduction

and for government renewal. The document tabled the day after the budget by the Privy Council Office (Getting Government Right) emphasized the central importance of new partnerships with different stakeholders as a way to "bring the federal government closer to communities and citizens by moving decision-making, program delivery and design closer to citizens" and celebrated the successes of the Efficiency of the Federation initiative on this score.²¹

It is quite clear that the governance agenda has been given new prominence but it is not easy to determine to what extent.

C. Some Illustrative Gleanings About Outcome

The fact that "government priorities" have remained unstated does not necessarily mean that an "unwritten plan" exists, but there is enough oblique and circumstantial evidence to support the hypothesis that such a plan exists and has been a determining force.

For the central agency respondents, anomalies in the process were simply random flaws in a process that never claimed to be perfect or the result of the dual screening of the Bourgon and the Massé Committees which was obviously designed to ensure that "government priorities" were pursued.

We were provided with numerous examples of various anomalies throughout our interviews (i.e. decisions that would appear, for no obvious reason, to be at odds with what any straightforward application of the six tests would suggest). These instances may reasonably be interpreted as evidence that some *raison d'état* may have prevailed. Moreover, departmental officials have complained that their efforts to reconfigure federal activities (in particular in the direction of new partnerships) were scuttled by "a degree of intractability on the part of Treasury Board and others..".²² It is difficult to "demonstrate" how widespread these anomalies or blockages have been, but one may at least "illustrate" the existence of such anomalies and blockages, and attempt to identify some of the patterns they appear to reveal.

Four anomalies

We have sketched a few examples cited by respondents that might be considered as likely "Program Review errors": Type I errors (rejecting or cutting a program when it was most satisfactory according to the tests); or, Type II errors (maintaining programs that would appear not to meet the six tests). Citing these examples is not intended to suggest there should not have been exceptions to the *diktats* of the Program Review tests for *raisons d'état* of one sort or another. Our intention is to illustrate that in fact the process was not infallible. Decisions were made which *prima facie* would not appear to follow the Program Review logic. Such program decisions may simply reveal a certain frame of mind or a pattern of "unstated objectives".

Indian Affairs and Northern Development - *On-Reserve Capital Facilities and Maintenance*

The purpose of the *On-Reserve Capital Facilities and Maintenance Program* is to provide support for Indian and Inuit communities to acquire, operate and maintain basic facilities such as schools, libraries, and offices. Total funds allocated to this activity were approximately \$570 million in 1994/95. According to the Auditor-General²³, "In its approach to devolution, the

Department has continued to transfer responsibilities to First Nations for delivering capital and maintenance projects. However, ... the Department has not targeted and controlled areas of high risk..., the Department's risk and exposure from failure to properly maintain capital assets are high". Specifically, continuation of this program does not satisfy the "Role of Government" test. Although some communities are capable of managing capital assets thereby satisfying the "Partnership" test, most communities can not for various reasons. The Auditor-General argues, therefore, that a universal approach to devolution which induces inefficiency, is not appropriate. Devolution has been encouraged in situations when many communities' capacity to assume responsibility has been and continues to be insufficient. The continuation of this program in its present form may be regarded as an error of type II. It may be more appropriate to ensure, via pre-determined performance criteria whether a community has the capacity to manage such projects or pursue a process of transition which includes some degree of training.

Environment Canada - *National Contaminated Sites Remediation Program*

The purpose of the *National Contaminated Sites Remediation Program* is to manage the remediation of waste contamination (including radioactivity) on federal lands, and the clean-up of contaminated sites in federal jurisdiction. Total funds allocated to this activity were approximately \$250 million in 1989 for the development of remediation technology and for actual site clean up. Respondents familiar with this program indicated they believed this program satisfied all Program Review tests. In fact it absorbed important cuts. When funding for this initiative ended on March 31, 1995, "...no national plan or federal fund had been created for cleaning up the remaining contaminated sites (i.e. 37 of the 48 sites) that pose risks to human health and the environment."²⁴ This program which forms part of the *National Green Plan*, would appear to have been an ideal candidate for renewal or amendment in some form especially given the high degree of public support as suggested by the Auditor-General: "...that when rating environmental problems, Canadians rank hazardous waste second only to ozone depletion".²⁵

Clearly, the program serves the public interest (Public Interest Test) especially since only a fraction of sites have been remediated. Given that the sites identified are in federal jurisdiction and that the Crown contributed to the problem of contamination, responsibility lies in whole or in part with the Crown (Role of Government Test, Federalism Test). Transferring this program and subsequent problems would not be politically acceptable. With respect to efficiency, respondents agreed that with adequate funding, improvements can be made to implementation. Financial cuts to a program which enjoys high public support, and addresses a problem which is clearly federal responsibility may be regarded as an instance of Type I error.

Western Economic Diversification

The principal objective of the *Western Economic Diversification Program* was to build a partnership between the federal government and western governmental and private sector interests in order to promote economic development and diversification in the western provinces.

Respondents indicated that the program served the public interest for there is a need for such vital investment in the West to promote growth. Respondents believed the program qualified as an appropriate government function, for it is intended to create partnerships in the effort to

stimulate the economy (i.e. Federalism and Partnership tests). Although respondents believe that the program could be made more efficient by ensuring that partners are clear as to their respective roles and responsibilities, the program was seen to be fulfilling its objectives. Investment has been increasing in the area and job creation has been rebounding. When asked about affordability, most respondents agreed that the program was yielding important dividends and was worth the investment. Yet, the program was cut. Overall, the program exemplifies a Type I error.²⁶

Indian Affairs and Northern Development - *Native Claims Programs*

In 1969, the federal government agreed as a matter of policy that its “lawful obligations” to aboriginal people had to be recognized if its relationship with those groups were to improve. Since 1974 various claims programs including comprehensive claims (involving settlement of disputes regarding traditional native use and occupancy of land), and specific claims (involving settlement of disputes regarding the fulfilment of treaties, government administration of reserve lands, band funds, and other assets) were instituted to remedy past and in some circumstances, present grievances. In 1991, a number of recommendations were made by First Nation representatives and the Ministers of Justice and Indian Affairs to improve current guidelines including the removal of the “pre-confederation bar” so that claimants could be allowed to file grievances regarding violations prior to confederation in 1867. Almost \$280 million was allocated to the settlement of various types of claims (except land claims) in 1994/95. Respondents familiar with this program indicated that continuance of this program did not satisfy Program Review tests: the program could not be defended as serving the public interest “other than to provide First Nations with another source of funding”. They said that major outstanding grievances have been addressed by the program. Grievances being presented to the federal government today were argued to be highly questionable. Investigation of such grievances is both costly and time-consuming thereby clearly failing the affordability test. When asked whether the program serves any public interest, respondents argued that the rationale of the program is no longer clear or its objectives relevant. Overall, it was argued that the political agenda and senior management priorities placed these programs “high in importance with questionable application of the [Program] review”. This is an instance of Type II error.

Nature of the Blockages

Program Review was inviting critical thinking from public service ranks, but some forces would appear to have been at work to obstruct the process from being carried out to its logical conclusion. Our interviews point to three main forces that may have stifled the process.

First, it was suggested by a many respondents that the negative effects associated with the failures of the Meech Lake and Charlottetown accords had strengthened the resolve of the federal government to assume as much control over matters of governance as possible. The rejection of these decentralizing accords was interpreted in federal circles as a call for a strong federal government in the face of a new threat to national unity generated by the emergence of various "identity groups" (i.e. persons with disabilities, seniors, homosexual community, Quebeckers, Westerners, women's groups, etc.). The number of interests associated with such groups is so extensive that it defines and represents the whole person. This is why they are

often termed "identity groups".²⁷

Such groups are suspected of being more corporatist than pluralist: they do not represent one segment of an individual's concerns. They represent the entirety of the person: "many of an individual's interests are bound up and represented by a single group". Society is perceived as becoming a group of groups, less and less capable of understanding and talking to one another.²⁸

It has been argued that national institutions for "discursive democracy" might generate a better appreciation of the limits imposed by mutual responsibilities. Indeed, often identity politics can be harnessed by enabling people to debate and decide on the conditions of their interdependence in an inclusive forum. But this is not the strategy envisaged by the Canadian government. Rather than attempting to build such a forum where most groups may learn from each other and generate debate and arrive at compromises, our central government has come to perceive itself more capable of constructing such compromises. Instead of listening and promoting social learning, it has been led to centralize in order to impose what it considers as the relevant compromises. This propensity to centralize would appear to be reinforced at a time when globalization forces have weakened considerably the nation-state and have called for a more distributive form of governance: large private and public organizations have had to reorganize into networks of autonomous units that are agile, and better able to adapt to ever changing circumstances.²⁹ A certain schizophrenia is bound to emerge.

Second, many anomalies would appear to reveal a centralized mindset whereby the federal government has made a conscious effort to maintain and re-affirm control over various activities which have been an integral part of its responsibility in the past, whatever the logic of Program Review might suggest. This is a trait that would appear to afflict many national governments ill-suited for a "dispersive revolution" that drains power from it (outward to global institutions, laterally to multinational enterprises, and downward to sub-national organizations).³⁰ This centralizing mindset has blocked change in Canada perhaps more than in other countries due to our "economic culture".

Herschel Hardin has suggested that our economic culture has been characterized by a predisposition toward public enterprise and a preference for inter-regional redistribution. These features help to explain our particularly strong propensity to centralize for one cannot effect such massive inter-regional redistribution without a high degree of centralization.³¹ Although the Liberal Party through its "Red Book", recognized that the trend in the governance system was toward decentralization, there are reasons to believe that this centralizing mindset is still paramount in the current government.³²

In the case of Western Diversification, for example, it would appear the federal government in an effort to get its "fiscal house in order", has elected to assume sole responsibility for matters of funding thereby ensuring a centralized focus. In the case of the On-Reserve Capital Facilities and Maintenance Program, it was suggested by a few respondents that by placing First Nations on the fast-track to devolution, negative results were expected in many cases, thereby allowing the federal government to argue that its presence is still required. There is evidence of a pattern whereby the federal government has set out to strengthen its role in various areas. The

consequences of this mindset, however, is that it can stifle any innovation in the direction of decentralization even when it is demanded and needed.

Thirdly, in the face of conflicting demands for change, it is not unreasonable that a solution of despair be characterized by a return to the basic rules and a re-affirmation of procedural rationality as an anchor. According to our respondents, this would explain the new prominence of the Treasury Board Secretariat and the new reverence for perennial rigid expenditure and human resource management policies.

However, such rigidity has inhibited innovation and creativity. For example, it was suggested that, as a consequence of Program Review, it might be prudent in some cases to enter a joint venture with a private sector organization to assist in the provision of some specific departmental services. In this way, the costs and risks associated with the responsibility of providing a service would be shared with the hope that a newly refined service would be cost effective and perhaps profitable. However, upon submission of this sort of idea to Treasury Board via the program's business plan, they were summarily rejected as inappropriate.³³ Although responsibility was not assigned usually to Treasury Board specifically for such stoppage, it would appear that the "management regime" in good currency did not offer the flexibility nor the legislative maneuverability for innovation due to the new centrality of rules as a source of stability.

The joint impact of these blockages has been important. Senior officials of the Canadian governance system have been caught in a significant dilemma. Various new groups in Canadian society have generated paradoxical demands for devolution and decentralization while at the same time echoing support for a strong central government. These demands are clearly contradictory and have projected a Rorschak-type background which federal public officials have interpreted according to their own proclivities. This has given yet more momentum to the traditional economic culture of centralization that has characterized Canadian government.

With this backdrop, it is not difficult to understand the growing role of Treasury Board in setting basic rules when the technology of governance would appear to be in need of repairs. It has become an anchor at a time when the country is being pulled in different directions by the requirement of minimal integration and the logic of subsidiarity. This is a propitious terrain for the centralized mindset. A new rationale for a strong central government has therefore evolved in the form of the need for process and rules. This is the means through which ownership of Program Review has come to be claimed by the Treasury Board Secretariat, not so much by design as by default.

These three blockages (political, mental and managerial) have created a gauntlet in which the Program Review has been engulfed. Unwittingly, the consolidation of identity groups has served as a major lever to re-inforce the centralized mindset of the Canadian government. This new environment has created a dynamic in which contradictory demands have given a new importance to those upholding the rules. Accordingly, the Treasury Board has emerged as "keeper of the rules" within the Canadian federal structure.

4. WHY WAS THE PROCESS DERAILED AND CAN IT BE PUT BACK ON TRACK?

The Program Review process was allowed to drift away from its original rationale for a number of reasons.

First, given the complexity of issues facing the government and a paucity of alternative ideas debated in the public forum, the citizens have been prone to conform to any strategy that would give the appearance the government was addressing important issues of governance rationally.

Second, given that the objectives and implementation of the Program Review were closely guarded by senior decision-makers, it was very difficult for the public at-large to detect the nature and the extent of the drift until it had become a reality.

Third, there was no forum in which the public could contribute significantly to the process. Due to its emphasis on secrecy, the Chrétien government had immunized Program Review both from public scrutiny and public opprobrium. Some immunity was also derived from the overall popularity of the Chrétien government and from its marketing of Program Review as its way to transform the governance system.

Finally, there would appear to be a perception among many observers of the Program Review (i.e. media, academia, interests, etc.) that even if affordability had become the driving factor for change, the means of achieving such change were not as important as the outcomes achieved, financial or otherwise. Combined with this perception was the belief that change is evolutionary and that it may be too early to detect results. This could only weaken any call for a reality check under such circumstances.

Yet, the process can be salvaged but certain conditions must be met. We cannot establish the canonical list of necessary and sufficient conditions, but we would like to draw attention to three important necessary conditions: additional fiscal pressure, allaying of the fear of balkanization and a new momentum in the commitment of the federal government to respond to public demand for better governance.

First, a less faint-hearted attack on the deficit and debt by the federal government is necessary to force the "real" questioning of all programs. Only dramatic pressure to significantly reduce government spending can influence change of the governance system. There were signs in the December 6, 1995 economic statement that the Minister of Finance is still somewhat faint-hearted, unwilling or unable to obtain consent from the Chrétien Cabinet to proceed more assertively toward the zero-deficit target. This de-emphasis of deficit and debt reduction has been re-affirmed in the Budget speech of March 6, 1996. "Holding the course" on the deficit is seen as assertive action and across the board departmental cuts as demonstrating action.

Governance cannot be changed easily. There are vested interests in the present system likely to prevent the requisite level of mobilization of the citizenry. Some would say that we need the moral equivalent of a war or the sociological equivalent of a defeat to mobilize the population, and that the spectre of deficit and debt does not fare well as a mobilization lever. But it may be the only one we have. Given this context, the sense of diminished financial pressure that has

been communicated by the Minister of Finance over the last few months is a significant message. It may encourage the search for alternative mechanisms of program delivery (within the present unmodified governance system) as a fully satisfactory strategy. Only if the fiscal pressure is extremely high will the government be forced to challenge its roles and responsibilities seriously and to effect changes in the governance system.

Second, the renewal of governance does not necessarily entail devolution in all cases. There are many other directions in which governance can be reframed. However, the fear of the disintegrative impact of the devolution process has been important in building legitimacy for efforts to counter the subsidiary agenda underlying the Program Review process. This is a misguided and potent argument which must be addressed squarely.

Decentralization need not balkanize. It simply forces local and provincial governments to provide the level of services they can afford and desire. Because regions are endowed with different resources, value systems and public services is not balkanization but rather the result of the free flow of resources in a barrier-free economy. Such a market economy does not ensure identical local conditions everywhere. Indeed, the very differences among local conditions and provinces are the triggers that command resource flows among areas. Mobility between localities and provinces ensures that local authorities are prevented to effect inefficient policies.

It is only when balkanization is falsely construed as the obverse of homogenization (which is a serious misunderstanding and a very misleading definition) that the unreasonable conclusion that decentralization automatically triggers balkanization emerges. In fact, this bizarre mis-definition is not innocent. Rather, it is an attempt at obfuscation. When balkanization is defined properly, the main source of balkanization in Canada would appear to be not decentralization but centralization.

There is no balkanization when there is a clear connection between the prices of goods and services in a particular place and their production costs, and when there is nothing to prevent the normal adjustment of resource flows to the differentials in costs or prices. Balkanization occurs when there is a wedge between the prices of goods and services and their production costs and when something prevents the normal adjustment to this distortion.

When the federal government imposes regulations, standards or equalization mechanisms upon the provinces, such actions may be argued to distort prices, diminish provincial and local responsibilities for their inefficient policies, and prevent the movement of resources to areas where they are valued most. Such processes can be regarded as a trade barrier. Given these circumstances, provincial governments are able, due to federal enforcement, to behave less efficiently given that the federal government has shifted the burden of their implementing inefficient policy to other members of the federal club. Indeed, as Migué states, "the more inefficient the provinces are, the more they are compensated by the central authority".³⁴

Third, it is not sufficient to experience greater fiscal pressure and to exorcize the fear of balkanization-by-decentralization to generate a genuine process of governance transformation. One must also be able to count on the commitment by the federal government in place.

Otherwise, the denial syndrome will prevail. Indeed, the failure of Program Review up to the end of 1995 may be regarded mainly as the result of a failure of political will. What Meech and Charlottetown have failed to realize through the high road of constitutional reform might have been accomplished by administrative means if Program Review had been highly focused and fuelled by a meaningful political will.

Neither the Speech from the Throne of February 27, 1996, nor the address by the Prime Minister Jean Chrétien in his response to the Speech from the Throne in the House of Commons on February 28, 1996, nor the Budget Speech of March 6, 1996 have given any sign of a new resolve of the Chrétien Government to give a second life to Program Review and to the whole *Government Renewal* exercise. Yet a document tabled by the Privy Council Office on March 7th, 1996 may be regarded as a harbinger of some possibility of reframing of the debate.³⁵

Getting Government Right would appear to constitute a boost for the *Government Renewal* project. First, it is clearly a document that separates clearly the governance-directed issue of getting government right from the efficiency-directed concerns of making the federal government work better. Second, the document would appear to indicate that the Privy Council Office that was at the origin of the Program Review process and had lost control to Finance and Treasury Board may wish to regain control of it. Three, the document would appear to provide evidence that some social learning has occurred in the world of federal public officials as a result of the October 30th referendum and that the governance agenda has again risen in prominence.

Although there is still some reluctance to state clearly that subsidiarity is the guiding philosophy, its spirit permeates the section on new partnerships (pp. 17-18) of the March 7th document and there is a sharpening of focus. The federal government would appear to be willing to sketch explicitly the contours of the areas where it feels some federal presence is essential:

- * for the benefit of the economic and the social union,
- * to pool national resources,
- * to protect Canadian values and identity, and
- * to defend Canada's sovereignty.

This leaves an immense amount of latitude in the process of clarification of the federal roles and responsibilities that the document identifies as the first key objective, the others being to devote resources to the highest priorities, to provide better, more accessible and more participative government, and to achieve a more affordable government. While "a swallow a summer does not make", it would appear that there might be a shift in emphasis back to governance in the conduct of the next phase of Program Review.

These three conditions are not sufficient to ensure that the Program Review process is refocused and successful. However, unless the fiscal pressure is more intense, the spectre of balkanization allayed, and the governance thrust of Program Review reaffirmed, it cannot be expected that the promised transformation which is urgently required will materialize. Many benefits may be realized from expenditure reduction and from the pursuit of efficiency. However, the essentials to reframe governance will be missed.

5. CONCLUSION

The Government Renewal process was not borne only out of difficult fiscal times, it was a reasoned Cartesian response to fundamental demands for change in the governance of the federation. Although these demands have been articulated in contradictory terms in many fora over the last few years, the poignancy of them has been felt in the recent debates surrounding the Meech Lake and Charlottetown accords and in the heated discussions that led to the October 1995 referendum on Quebec separation.

The Program Review exercise was a crucial component of this renewal process. It held the promise, in its original form, and still holds the promise, if its integrity is restored and if the systemic barriers in its way are removed, of accomplishing by administrative means (together with the other components of the Government Renewal Program), much of what both Meech and Charlottetown could not deliver. If this opportunity is allowed to slip, we risk tumbling into a dynamic of fragmentation and decay. We know that the Canadian public has become increasingly disenchanted with the manner in which change has occurred in Canada and that approximately 29% of the Canadian population firmly believes that by the year 2000 "the country as we know it will no longer exist"³⁶.

The derailment of Program Review and its subsequent reduction to a federal expenditures reductions program *cum* quality services exercise, can not and must not be gauged solely by the usual indicators of fiscal policy or gains in productivity. It must be evaluated in terms of the broad objective of reinvention of governance. Any belittlement of this objective in the whole equation can not but invite a further erosion of the federal system.

Both the fiscal perspective and the quality services perspective on these issues are important in their own right and may be defended as useful contributions to better government. However, they are unduly reductive when compared with the original mandate of Program Review and to the challenges confronting Canada. These side roads do not lead to *Oz*, and by proceeding along these side roads, the effects of Program Review are assured of being negligible. Allowing Program Review to play itself in those new rags or to board this new trek would amount to staging Hamlet without the Prince of Denmark.

Fortunately, 1996 may provide a unique if small window of opportunity for the refurbishment of the governance agenda of Program Review. The panic generated by the results of the October 30th 1995 referendum on Quebec separation combined with increasing demonstrations of dissatisfaction across the country, would appear to have struck (however faintly) to the heart of the Chrétien cabinet. The 'master plan' revealed by Maclean's in its February 5, 1996 issue appeared to indicate that senior decision-makers have been led into taking devolution seriously. Such a circumstance may prove beneficial. However, one should not discount the powers of dynamic conservatism and the possibility that various instrumentalities and mantras like *quality services* and the *search for alternative program delivery and financing* will be favored by all as sanitized avenues that may turn out to be desirable because they are ways to effect changes without truly changing.

At the time of writing (mid-March 1996), after the Speech from the Throne, the March 6 Budget speech and the series of papers released in their aftermath, there is ample evidence that the forces of dynamic conservatism are still hegemonic. First, the Chrétien government is

considering an early election. Therefore, the debt and deficit problem, less resolved by lackadaisical policies than attenuated by a fall in the rate of interest, has been pushed to the background. Second, the rhetoric of balkanization remains omnipresent. Thirdly, the March 7th document from the Privy Council Office does not indicate in any meaningful way that the 'master plan' evoked by Maclean's in February 1996 will be carried out after all.

The sort of crisis needed to kickstart a 'renewed' Program Review is still not clear. It may arise from the meeting of First Ministers in the Spring of 1996, or the rash of meetings being organized by dozens of groups of concerned Canadians across the country. In any case, however, the likelihood that anything substantial might be initiated to transform the Canadian governance system is inversely proportional to the time elapsed since the October 30th referendum and directly proportional to the relative importance of the non-constitutional route in their proposals.³⁷

References

1. The authors are most grateful for the critical comments of Gene Swimmer, Elizabeth Dandy, John de la Mothe and David Zussman on an earlier version of this paper. They should not bear any guilt by association for our work. As will become obvious, we have not always chosen to follow their helpful advice.

2. For additional details, see C. Millon-Delsol, Le principe de subsidiarité. Paris: Presses Universitaires de France 1993.
3. M. Janigan and E. K. Fulton " The Master Plan" Maclean's, 109, 6, pp. 18-19.
- 4.V.S. Wilson [1988] "What Legacy - The Neilsen Task Force Program Review" in K. Graham (Ed.) Conservatives Heading into the Stretch. Ottawa: Carleton University Press, pp.23-47.
5. This is extremely clear in D.R. Zussman and J. Jabes, The Vertical Solitude, Halifax: Institute for Research on Public Policy, 1989, especially chapter 4; see also T.W. Plumptre, The Bottom Line: Management in Government, Halifax: Institute for Research on Public Policy, 1988.; G.F. Osbaldeston, Keeping Deputy Ministers Accountable, Toronto: McGraw Hill Ryerson, 1989.
6. J. Jabes et G. Paquet, "Réforme administrative dans la fonction publique fédérale au Canada: préliminaires à une évaluation" in M. Charih et M. Paquin (Eds.) Les organisations publiques à la recherche de l'efficacité, Sainte-Foy, Qc: Ecole national d'administration publique (Université du Québec) 1994, pp. 27-47.
7. G. Shortliffe, Second Annual Report to the Prime minister on the Public Service of Canada, Ottawa: Supply and Services, 1993, p.12.
8. For example, External Affairs which had been subjected to a broad policy review and had inherited of a new deputy minister was transferred to the second phase; in the same way, Indian Affairs and Northern Development and other departments have remained relatively underscrutinized.
9. In analyzing programs, one must presume that if the program has been put in place, there must have been reasons to support such a move. In statistical parlance, our null hypothesis is therefore that the program under evaluation is valuable. Type I error is the error of rejecting the null hypothesis when it is true (i.e. the error of rejecting a truly valuable program). Type II error is the mistake of accepting the null hypothesis when it is false (i.e. the error of supporting a program when it is truly not valuable).
10. On the one hand, some like Arthur Kroeger do not hesitate to characterize the 1995 Martin budget very much based on the results of Program Review as "a bookend... after fifty years of activist, interventionist and, above all, self-confident government" but much of his argument is based less on the Program Review impact on the Martin budget but on the substantial reductions that are to be made in federal transfers to the provinces and the proposed consolidation of federal support into a single program to be known as the Canada Social Transfer. (A. Kroeger, "The 1995 Federal Budget" Opinion Canada, 3, 2, April 1995, pp. 1-5; also A. Kroeger, "Changing Course: The Federal Government's Program Review of 1994-95" in A. Armit and J.

Bourgault (Eds) Hard Choices or No Choices, Toronto: The Institute of Public Administration of Canada, 1996, pp. 21-28.)

On the other hand, one indication that it may not have been completely successful as a deficit reduction process is the confidential International Monetary Fund document obtained by Southam News and largely publicized in the press on December 5, 1995. The IMF warns that the process of deficit reduction has been "unduly slow"; in their view, a perfectly successful Program Review exercise might have generated much deeper and faster federal cuts in expenditures. (E. Beauchesne, "World Watchdog Urges Deeper, Faster Federal Cuts" The Ottawa Citizen, 5 December 1995, A1-A2.)

Be it as it may, there were deep cuts in the federal spending in a large number of departments and agencies as a result of Program Review, so nobody would deny that it was relatively successful.

11. A. Kroeger, "Changing Course..." op.cit.

12. For instance, see G. Paquet and J. Roy "Prosperity Through Networks: The Small Business Strategy That Might Have Been" in S. Phillips (Ed.) How Ottawa Spends 1995, Ottawa: Carleton University Press, 1995, pp. 137-158.

13. Private communication.

14. Burelle builds a plausible scenario of decentralization using explicitly as a compass the principle of subsidiarity. He develops a series of classes of more or less overlapping jurisdictions and proposes a specific reallocation of activities among levels of government together with the array of management and decision-making mechanisms that would have to be set up to handle the requisite coordination, harmonization and co-decision. See André Burelle (1995) Le mal canadien. Montréal: Fides.

15. A. Eggleton (1995) Strengthening Government Review. Ottawa: Annual Report to Parliament by the President of the Treasury Board (November) 45p.

16. Ibid. Foreword.

17. Ibid, p.1.

18. This diversion culminated in October 1995 when the Treasury Board Secretariat produced ten pamphlets on Quality Services which were widely distributed throughout the federal departments and agencies.

19. Diversions from original initiative objectives are not uncommon. The PS-2000 exercise of the early 1990s suffered such a fate. As noted by the Auditor-General, "PS-2000 was initially designed and communicated to staff as a "management-driven exercise". Yet its philosophy is one of participative management... Despite the notable efforts of some departments to involve staff at all levels, executives point to a lack of staff

involvement and "ownership" of the initiative as a major implementation failing... In addition, inconsistency is perceived between some of the principles of PS-2000 and other initiatives or actions. These include: ongoing downsizing and operating budget cuts; the 1991 budget that helped to precipitate a national public service strike and led to wage restraint legislation; the Al-Mashat affair; the the decision to reduce the number of public service executives by ten percent." [Report of the Auditor-General of Canada, Ottawa: Minister of Supply and Services of Canada, 1993, ss. 6.84, 6.85, page 174].

20. On December 21, 1993, the First Ministers agreed to make improving the efficiency of the federation a collective priority of their governments. They agreed that this initiative would begin with a systematic assault on overlap and duplication and that, in the long term, (1) it would determine which order of government was best suited to deliver a program or a service and (2) it would make policies and programs more effective and affordable. The vehicle developed to focus these commitments by government leaders are government-to-government action plans. This is a new approach for governments to work together in their program delivery. A large number of action plans dealing with issues as varied as business service centers, international business development, food inspection, initiatives to deal with the underground economy, etc. have been signed. The Efficiency of the Federation Initiative was very much an initiative parallel to Program Review and inspired by the same general philosophy. The lack of support and interest for this Initiative at the federal level has led to its fizzling out at the end of 1995 with the resignation of the federal senior executive in charge this Initiative. See T.R. Robinson, "Federal/Provincial Administrative Relations: opportunities and Constraints" Remarks at the Institute of Public Administration meeting in Charlottetown on August 29, 1994; also private communication from T.R. Robinson (31 March 1995) and The Efficiency of the Federation Initiative - Information Update (October, 1 1995).

21. Privy Council Office [1996] Getting Government Right - A Progress Report, March 7, 1996, p. 15-16. It is important to note that this document would appear to represent evidence that the Privy Council Office is now taking the initiative once again in Program Review after having allowed the initiative to slip away to Finance and Treasury Board, as we will see.

22. We have heard many contentions that Program Review had often initiated attempts to improve departmental operations by developing more flexible approaches. However Treasury Board and other central agencies often responded to requests for innovative arrangements by enforcing "archaic" regulations and disallowing what may be perceived as innovative solutions.

23. Report of the Auditor General of Canada, Nov. 1995, Ch. 23.

24. Report of the Auditor-General, Chapter 2, May 1995, page 2-5.

25. Ibid., page 2-8, s. 2.13.

26. Moreover, as stated in the 1995 Report of the Auditor-General (Chapter 20), as the Program Review was in full operation, there was a parallel and significant process of recentralization of the program by the federal government when devolution would have appeared more appropriate: 60 percent of financial assistance for this program had to receive the approval of the Minister's Office in 1988, compared with 100 percent of all assistance in 1994/95.

27. M.J. Piore, Beyond Individualism - How Social Demands of the New Identity Groups Challenge American and Political Life. Cambridge: Harvard University Press, 1995.

28. M.J. Piore (1995) Beyond Individualism p.21.

29. This is the core of Naisbitt's "global paradox" which he states as "the bigger the world economy, the more powerful its smallest players" J. Naisbitt, Global Paradox - The Bigger the World Economy the More Powerful its Smallest Players, New York: Morrow & Company Inc, 1994; G. Paquet, "Institutional Evolution in an Information Age" T.J. Courchene (Ed.) Technology, Information and Public Policy, The Bell Canada Papers in Economic and Public Policy, 3, Kingston: John Deustch Institute for the Study of Economic Policy, 1995, pp.197-229.

30. J. de la Mothe and G. Paquet, "The Dispersive Revolution" Optimum, 25, 1, 1994, pp.42-48.

31. H. Hardin, A Nation Unaware. Vancouver: J.J. Douglas, 1974.

32. G. Paquet and J. Roy (1995) "Prosperity Through Networks.." p.148. This propensity to centralize has been defended and rationalized by many observers who claim that already Canada is one of the most decentralized federations and that "a deeply divided society, a regionalized economy, and a decentralized federalism all make it harder to respond to global challenges" (R. Simeon (1990) "Globalization and the Canadian Nation-State" in G.B. Doern and B.P. Purchase (Eds) Canada at Risk? Canadian Public Policy in the 1990s. Toronto: C.D. Howe Institute, p. 57). We have shown this defense of centralization and enforced 'national standards' as a source of 'social efficiency' of the federation and as a foundation for better economic and social integration to be bogus (G. Paquet (1996) "Gouvernance distribuée et habitus centralisateur" Transactions of the Royal Society of Canada (1995) (in press)).

33. Respondents have provided numerous examples from various departmental initiatives at Industry Canada and at Public Works and Government Services. In such cases, Treasury Board was instrumental in torpedoing the partnerships by withholding the autonomy demanded by the partners in connection with certain tasks and activities.

34. Migué has even ventured some back-of-envelope estimates of the extent to which federal spending is distortionary (in the sense just mentioned) and has come to the conclusion that (after taking into account the expenditures in the nature of truly

national public goods i.e. providing most efficiently collective services to the national community) this subtle balkanizing effect, which already characterized 60% of federal spending in 1960, now characterizes some 76.5% of federal spending. This is quite an indictment of the federal authorities which have induced the setting of all sorts of arrangements to meet national standards and then have claimed that, since the provinces and municipalities are spending de facto a larger portion of the total public expenditures, the federation is becoming more decentralized. In fact, provinces were often coerced into such spending, or at least put in a position where they could not politically abstain from embarking on such programs. This is not decentralization by any meaningful definition of the term. J.L. Migué, "The Balkanization of the Canadian Economy: A Legacy of Federal Policy" in F. Palda (Ed.) Provincial Trade Wars: Why the Blockade Must End. Vancouver: The Fraser Institute, 1994.

One can only note with concern the statement in the March 1996 budget defining a floor level below which federal-provincial cash transfers will not be allowed to fall. While some may feel reassured that this will ensure the maintenance of a certain degree of inter-regional redistribution, others may equally be concerned that this represents a clear declaration on the part of the federal government that it intends to maintain its capacity to balkanize the country by centralized policies whatever the dictates of Program Review might be.

35. This document entitled Privy Council Office, Getting Government Right - A Progress Report was tabled the day after the March 6, 1996 Budget.

36. A.R. Gregg, "Can Canada Survive?" Maclean's, 108, 52, December 1995/January 1996.

37. G. Paquet, "The Downtrodden Administrative Route" Inroads # 5, 1996 (in press).