



GETTING GOVERNMENT RIGHT

GOVERNING FOR CANADIANS

FEBRUARY 20, 1997

Canada



Treasury Board of Canada
Secrétariat

Conseil du Trésor du Canada
Secrétariat

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PRESIDENT'S MESSAGE



In 1993, a profound change in Canadian government began: we started restructuring our administrative systems to respond to the needs of Canadians.

It is with great pride that I submit to you Getting Government Right: Governing for Canadians. It is both a status report and a description of the tools we are using.

Getting Government Right marks a turning point in taking control of government spending and transforming the structure of the Canadian public service and the programs it offers citizens.

After four years of effort, we have succeeded in reducing the size of government. We have approached 'getting government right' by linking performance to results and accountability. Through our changes, we have reclaimed our fiscal sovereignty enabling Canadians to choose the kind of society they want to build. Program spending today reflects the interests of Canadians.

Program Review achieved its results in large part because of the dedication, hard work, and determination of the Canadian public service. These women and men continue to give their strong support for our work. They will always play the key role in making the changes necessary to achieve excellence and deliver services of superior and consistent quality to Canadians.

In today's global marketplace, the federal government must manage change and emphasize efficiency in administration. Our collective challenge is to master new ways of doing things while safeguarding the rights of Canadians.

We are creating a new culture in the Public Service. Getting Government Right reflects our approach to government. Day by day, we are modernizing the structures of government so that we will have an administration ready to meet the challenges of the twenty-first century.

In the spirit of our ongoing quest for quality, I encourage your comments and suggestions.

A handwritten signature in dark ink, reading "Marcel Massé".

*Hon. Marcel Massé,
The President of the
Treasury Board*



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INTRODUCTION: CROSSING THE WATERSHED



These Main Estimates represent a watershed in controlling government expenditures and delivering modern, high-quality public services. Just four years ago, it appeared to many that Canada's public finances were out of control. There was widespread talk of a fiscal crisis that would call into question Canada's ability to provide the services its citizens had come to expect. It was said that Canada had become too expensive, that we could no longer afford the society that our parents and grandparents had built.

By 1998-99, the percentage of the gross domestic product (GDP) needed to support all federal government programs will be at its lowest level since 1949-50. While achieving this level will require determination to stay the course set out in the last four Budgets, no new reductions are required. After four years of arduous effort – of program review, redesign, sacrifice and renewal – federal program expenditures (all federal government expenditures except interest on the debt) will demand no more than 11.9 per cent of GDP in 1998-99. The programs and services made possible by these expenditures remain the envy of the world. We have tightened and trimmed non-essential spending and dramatically increased efficiency. We have proven that we can afford Canada.

By 1998-99, THE PERCENTAGE OF THE GROSS DOMESTIC PRODUCT NEEDED TO SUPPORT ALL FEDERAL GOVERNMENT PROGRAMS WILL BE AT ITS LOWEST LEVEL SINCE 1949-50.

In doing so, we have succeeded during a time of dramatic change, just as our forebears did in 1949-50. The Public Accounts of that year show that years of restraint had succeeded in reducing the war debt. These Accounts were the first to include expenditures for federal services in Newfoundland and to show that the defence budget was beginning to rise again because of the Cold War. The Accounts show a mix of requirements very different from those of today: defence and veterans affairs accounted for 31 per cent of program expenditures and social services accounted for 24 per cent, while total transfers to provinces amounted to only 5 per cent. Provinces and municipalities accounted for only 11 per cent of all government expenditures in Canada in the immediate post-war period.

The Dominion Bureau of Statistics' *Canada Year Book* for 1949 outlines the basic facts of a country of some 12.6 million inhabitants. For example, 75 per cent of all immigrants came from the United Kingdom or the United States, and 26 per cent of the labour force worked in agriculture. With justifiable pride, the *Year Book* notes that Canada's unemployment rate was just 1.5 per cent, even though the economy had shifted from one based on war to one based on peace. Per-capita gross national product (GNP) was some \$1,063. In real terms, this represented an improvement of over 50 per cent since the Depression. Inflation of over 11 per cent was a nagging worry, in spite of continuing price controls. A complex structure of wartime subsidies had been almost totally dismantled; the last subsidies on the import of crude oil into the prairie provinces had been cancelled two years earlier.

The 1997 *Canada Year Book* chronicles a country of nearly 30 million people – a complex, rich, multicultural state whose major sources of immigration are no longer the United Kingdom and the United States. Real per-capita GDP has grown by over 180 per cent since 1949. The agricultural labour force, though still a vital part of the national economy, now comprises less than 3 per cent of all workers. Transfers to other levels of government now account for 19 per cent of the federal government's program expenditures. The provincial and municipal share of total government expenditures has increased to nearly 50 per cent, clearly demonstrating the decentralization of government power in Canada. Of course, the story of dramatic change to a more abundant, more sophisticated and, perhaps, more chaotic lifestyle over the last 50 years is well known. It is, nevertheless, worthwhile from time to time to step back and contemplate just how far-reaching, and how rapid, the change has really been.

Nowhere has change been more dramatic than in the public sector. We have built complex systems of social support, economic development promotion, health and education, scientific research, cultural development and environmental management. Many of these services are central to our conception of who we are as Canadians. And, after a long period of expenditures too great for the economy to bear, we are learning how to provide them within our means. We are learning that fiscal prudence is compatible with the society our elders struggled to build.

We can clearly afford financial burdens no more onerous than those of a generation ago. The expenditure plan represented by the 1997-98 Main Estimates is sustainable. The complex, caring, modern society we have built, and the structure of government programs and services that support it, are not at risk in this plan. The additional burden of debt service is a real concern, but one we can manage in a growing economy. We can take quiet satisfaction in having regained our fiscal sovereignty.

Canada's public services are an essential part of the country's standard of living, a standard that regularly places Canada at the top in international comparisons. (The reforms of the past four years in federal program design and delivery have controlled costs while maintaining the essential quality of those services and redirecting them where they are most needed.) However, the sacrifices that have been required cannot be trivialized. Subsidies that many businesses had come to rely on have been dramatically reduced. The government now charges fees for some services that were previously free. Cutbacks to services have affected many clients of government programs. We will face more challenges in implementing the specific measures of Program Review over the next two years, and in fulfilling the new management philosophy inherent in it and in the Expenditure Management System. Public Service employees, in particular, have been called on to rethink fundamentally everything they do. The adjustment costs for Public Service employees have been very real, but the government has treated employees affected by downsizing fairly and equitably.

The vision on the other side of this watershed is of a country able to make its own choices about the kind of society it wants to maintain. A country whose national Public Service is the envy of the world. A country whose public programs benefit from continuous improvement, professional management and responsive, cooperative, citizen-centred delivery.



IMPLEMENTING CHANGE



Through a complex, coordinated process of change, the federal government has sustained its ability to deliver services. These changes have affected aggregate expenditures on federal government programs. They have profoundly affected the Public Service of Canada. They have transformed individual programs and services.

The Fiscal Story

Then

In 1993-94, the public believed that the nation's finances were out of control. The economy was still in the grips of the recession; low confidence levels among business leaders and workers were stifling consumer spending and investment and, thus, employment growth.

The international community was showing increasing discomfort with the country's indebtedness: the federal government was still adding almost \$40 billion annually to the debt, which had grown in the previous decade to 71 per cent of GDP (\$508 billion).

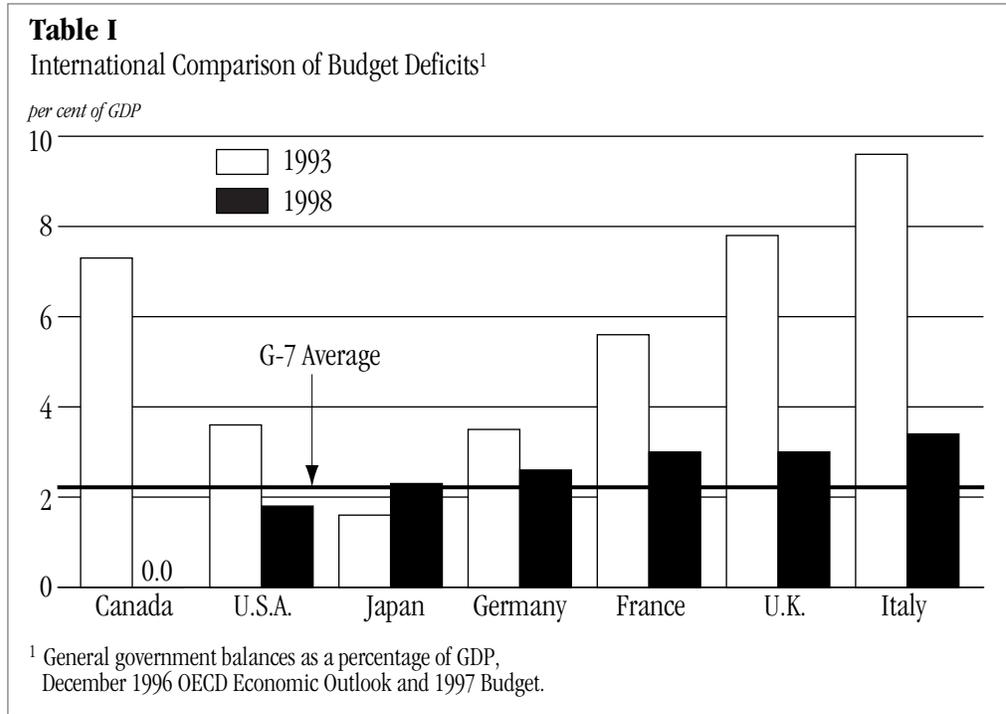
In 1993-94, Canada's deficit and level of indebtedness were the second highest among the seven largest industrial countries (the G-7), measured in relation to the size of their respective economies. This was reflected in the sagging value of the Canadian dollar on international currency markets and the unprecedented high levels of real interest rates.

Unfortunately, efforts to contain expenditures were not sustained and were often unfocused. They were marked by hesitancy to articulate priorities and to translate those priorities into real action. Continued fiscal drift was the result.

In spite of the rhetoric of restraint, the federal government's claims on the nation's output remained close to post-war peak levels. The hard choices were deferred.

Now

As Table I shows, while Canadians must still be vigilant about the relative level of indebtedness of their governments, the overall deficit position of the federal and provincial governments has dramatically changed.



This government took an approach that differed radically from the one used in the early 1990s. It recognized that the disjunction between rhetoric and reality had to cease. Many years of drift had taken their toll. Regaining the confidence of Canadians and of financial markets in government plans and projections was a primary goal.

The government started by revamping the Expenditure Management System. The new system eliminates central policy reserves, funds new initiatives by reallocating existing resources, provides a stable fiscal environment for longer-term departmental strategic planning, introduces business planning to help the Treasury Board develop an overview of strategic planning across government, and emphasizes the need to review programs continually and to deliver those services using available resources.

The government set out the broad outline of its expenditure strategy in the 1994 Budget and the 1994-95 Main Estimates documents. It established firm and binding fiscal targets for the next two years. It also kicked off the Program Review process, which compelled all ministers and senior officials to subject all the programs and activities they delivered to tough scrutiny.

Program Review was no across-the-board, arbitrary cut. It was carefully structured around six key tests:

- Is the program still in the public interest?
- Is its delivery a legitimate and necessary role for government?
- Is the current federal role appropriate or should the program be realigned with the provinces?
- Should it be delivered in partnership with the private or voluntary sector?
- How can it be redesigned for efficiency?
- Is it affordable, given fiscal constraints?

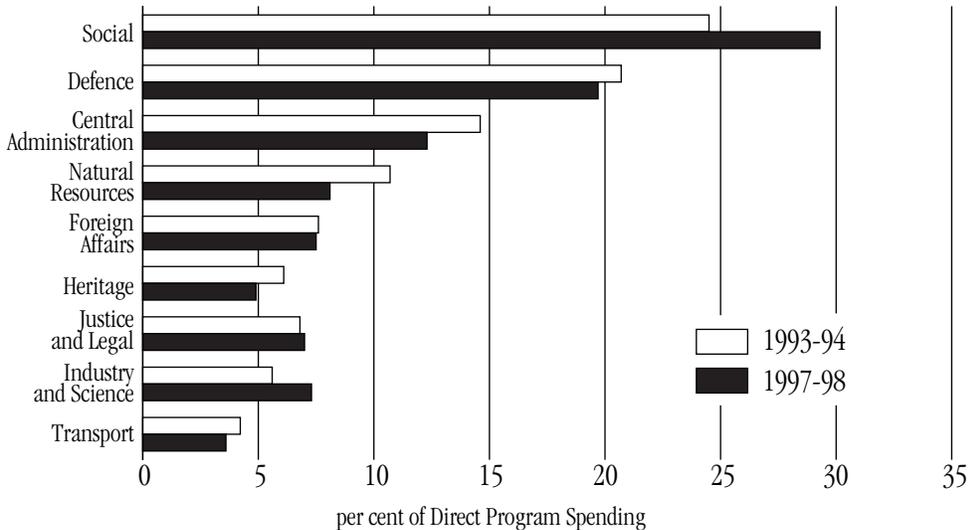
**PROGRAM REVIEW
CONTINUES AS AN
INTEGRAL PART OF
THE GOVERNMENT'S
ANNUAL PLANNING
CYCLE.**



Through this process, the federal government determined which activities it could continue to deliver or support within a much reduced budget. It also identified the activities it had to cease providing, scale back, devolve, or deliver or finance differently. Table II shows federal expenditures by major program area, and their percentage of total program expenditures, demonstrating the changing priorities of government resulting from Program Review.

Table II
Change in the Composition of Direct Program Expenditures

1993-94 and 1998-99



AS A RESULT OF THE ACTIONS ANNOUNCED IN THE 1994, 1995 AND 1996 BUDGETS, PROGRAM SPENDING WILL HAVE DECLINED FOR SIX CONSECUTIVE YEARS BY 1998-99.

As a result of the actions announced in the 1994, 1995 and 1996 Budgets, program spending will have declined for six consecutive years by 1998-99. Direct program spending (federal program expenditures less major transfers to individuals and other levels of government) will be down to \$47.4 billion, a reduction of \$8.1 billion from its 1993-94 level of \$55.5 billion. When transfers to provinces and other expenditures are included, total federal program expenditures will have declined over the same period from 15.8 per cent of GDP to 11.9 per cent, the lowest level in 50 years. Table III gives the details of federal government expenditures.

Table III
Program Spending by Major Component

| | 1993-94 Actual | 1997-98 Forecast | 1998-99 Forecast |
|--|-------------------|---------------------|---------------------|
| \$Millions | | | |
| Direct Program Spending | | | |
| Defence | 11,545 | 9,916 | 9,377 |
| Payments to Crown Corporations | 5,292 | 3,971 | 3,706 |
| Other Program Spending | 38,693 | 36,341 | 34,305 |
| Total Direct Program Spending | 55,530 | 50,228 | 47,388 |
| Major Transfers to Persons | | | |
| Elderly Benefits | 19,903 | 22,308 | 22,940 |
| Employment Insurance Benefits | 17,626 | 13,460 | 14,060 |
| Major Transfers to Other Levels of Government | | | |
| Canada Health and Social Transfer ¹ | 16,846 | 12,500 | 11,807 |
| Equalization | 9,045 | 8,292 | 8,436 |
| Alternative Payments for Standing Program ² | | (2,131) | (2,235) |
| Other | 1,063 | 1,142 | 1,104 |
| Total Major Transfer Programs | 64,483 | 55,571 | 56,112 |
| Total Program Spending | 120,013 | 105,799 | 103,500 |
| Public Debt Charges | 37,982 | 46,000 | 46,500 |
| Total Budgetary Spending | 157,996 | 151,799 | 150,000 |

¹ The Canada Health and Social Transfer (CHST) was introduced in 1996-97 to replace the Canada Assistance Plan (CAP) and the Established Programs Financing (EPF). The Transfer is composed of two parts, cash expenditures reflected in this table and tax entitlements outlined in the 1997 Budget. The total value of CAP and EPF for 1993-94 was \$29.0 billion and the CHST for 1998-99 is forecast at \$25.1 billion.

² In lieu of direct cash payments for standing programs delivered by the Province of Quebec, the Federal Government reduces personal income tax rates for the Province, and the Province may increase its rate by an equivalent amount. The equivalent value of the tax point reduction is recovered from the Federal Cash Transfers to the Province.

The Federal Public Service

These achievements in meeting the government's fiscal objectives result from a fundamental rethinking of priorities, programs, structures and relationships through Program Review. The success of this exercise is due in large part to the skill, dedication and contribution of Public Service employees. Few of these employees have been unaffected by the changes resulting from Program Review, which range from major organizational restructuring and downsizing to technological innovation and alternative methods of delivering services.

The government realized when it embarked on this exercise that many employees would be affected. Like other large private- and public-sector employers, the government introduced measures to help these employees. The Early Departure Incentive (EDI) and Early Retirement Incentive (ERI) programs have helped affected employees leave the Public Service. Both programs are intended for individuals whose positions are declared surplus. Under EDI, eligible employees in certain departments receive cash payments based on salary and years of service. Under ERI, the normal early retirement financial penalties for qualified individuals are waived. By 1998-99, annual reductions in the government wage bill will match the total cost of these incentive programs, and these savings will continue indefinitely. The government has used these and other measures to manage its workforce responsibly. It has also transferred some Public Service functions to other employers. As a result, it has minimized the impact of Program Review decisions on affected employees.

The population of the Public Service has declined from 225,619 at the start of April 1995 to approximately 195,000 at the end of December 1996. The government is achieving its expenditure goals. Departmental managers are implementing their Program Review plans and are continuing to manage departure programs carefully.

***THE SUCCESS OF
PROGRAM REVIEW IS
LARGELY DUE TO THE
SKILL, DEDICATION
AND CONTRIBUTION
OF PUBLIC SERVICE
EMPLOYEES***



Transformation in Government Programs

As noted earlier, Program Review was based on six tests rigorously applied to every federal government activity and service. This review led to far-reaching changes in every corner of government activity. These changes will affect the structure of the Canadian economy and society, positioning them for the challenges of global competition, rapid social transformation, technological growth and economic development in the next century. A few of the specific changes introduced by Program Review are described below.

- The federal government is moving away from owning, operating and subsidizing large parts of Canada's transportation system to focus on making policies and regulations to ensure the efficiency, safety and security of the system. For example, after applying Program Review tests to determine whether the public still needed certain services and whether the government should provide them, the government decided to privatize CN, transfer airports to local operating authorities, commercialize the St. Lawrence Seaway and transfer air navigation services to a new non-profit company. It is cooperating with private industry on many of these initiatives.
- The government is reducing subsidies to business significantly, and will provide loans and repayable contributions instead.
- Indian and Northern Affairs Canada is transferring its First Nations responsibilities in Manitoba to the First Nations themselves.

Delivering high-quality federal government services essential to Canadian society remains a bedrock of government policy and the *raison-d'être* of the government's program spending plans. The focus on change, efficiency and re-engineering should not obscure the fact that the government remains dedicated to service excellence.

Innovations in reporting government performance provide solid evidence of this dedication. These innovations include the new performance reports tabled in Parliament as part of the Improved Reporting to Parliament Project, which is discussed in more detail later in this document. The following examples are only a tiny sample of the continuing achievements of federal programs.

**DELIVERING HIGH-
QUALITY FEDERAL
GOVERNMENT
SERVICES ESSENTIAL
TO CANADIAN SOCIETY
REMAINS A BEDROCK OF
GOVERNMENT POLICY.**



- ***Agriculture and Agri-Food Canada:*** researchers are developing new varieties of beans that mature earlier and are appropriate to the Canadian climate, as well as winter-hardy varieties of kiwi fruit; advances in packaging and processing technology are opening the Japanese retail pork trade to Canadian producers; the department's food inspection compliance rates, already high, have been rising; early controls on the movement of beef cattle protected Canada's export markets from international concern over bovine spongiform encephalitis ("mad cow disease").
- ***Environment Canada:*** the Ice Services Program has introduced new technology and new procedures, including the use of Radarsat as the primary ice surveillance platform, that will permit it to maintain service levels and achieve major cost savings; effective national and international cooperation is markedly decreasing the production of ozone-depleting substances; peregrine falcon populations are now self-sustaining in southern Canada; the quality of weather forecasting has improved dramatically, so that three-day forecasts are now as reliable as 36-hour ones were 15 years ago.
- ***Parks Canada:*** Parks Canada is establishing new national parks, bringing Canada closer to the goal of completing the national park system; a new report on the environmental situation in the Bow Valley of Banff National Park is leading to a new balance of activities in the Park; Parks Canada is sharing its expertise in managing parks and historic sites with foreign governments.
- ***Veterans Affairs Canada:*** by September 1997, the department will halve turnaround times for processing first applications for disability pensions.
- ***Revenue Canada:*** the "single business number" gives companies a single account with the department, simplifying reporting considerably; in 1995, the new system for filing income tax returns electronically allowed the department to process 4.5 million personal income tax returns, out of a total of 21 million, within 10 days of receipt.
- ***Treasury Board of Canada, Secretariat:*** the Secretariat has eliminated half of all paper-burden irritants that businesses reported encountering when they dealt with major federal departments.
- ***Atlantic Canada Opportunities Agency:*** improvements in managing federal-provincial agreements have resulted in administrative savings of between 35 and 50 per cent.

- *Royal Canadian Mounted Police*: substantial reductions in administrative costs have freed up funds to increase policing – for example, one RCMP district in New Brunswick has been able to put seven additional police officers on the streets at no additional cost to the taxpayer.
- *Indian and Northern Affairs Canada*: financial audits of First Nations expenditures have improved significantly; the department received 66 per cent of all audits within 120 days of fiscal year end in 1995-96, compared to 23 per cent in 1991-92; of these audits, 83 per cent were unqualified in 1995-96, compared to 57 per cent in 1984-85; the post-secondary education budget has more than tripled since 1985-86, enabling a very substantial increase in First Nations students, to more than 26,000 in 1995-96.

DEVELOPING A CULTURE OF CHANGE

To sustain its programs in the future, the government must develop a culture that supports continual change and improvement. The Public Service of Canada must remain an institution in which all Canadians can take pride. Program delivery must be continually modernized, improved and directed toward the interests of citizens. The government must be able to develop and maintain a coherent vision of its overall policy for Canada. And finally, the government must maintain and enhance its accountability to Canadians and their representatives in Parliament.

The Future Public Service of Canada

Throughout the Public Service, there have been marked efficiency gains, great improvements in the quality of program and service delivery, and significant organizational changes. Much of the success in controlling government expenditures is due to the dedication and contributions of Public Service employees, who have helped Canada prepare for the 21st century by supporting initiatives, providing solid advice to the government, and proposing and implementing innovative solutions. These contributions must be nurtured and supported, enabling Public Service employees to put forth their best efforts in serving the public interest.



**THE PUBLIC SERVICE
OF CANADA MUST
RETAIN AND
RECRUIT HIGH-QUALITY
PEOPLE AT ALL LEVELS**

The Public Service of Canada must retain and recruit high-quality people at all levels; it must make ongoing investments in training and learning; and it must develop the leadership and management skills required by a modern society. The government is addressing these issues through a series of initiatives and strategies collectively titled *La Relève*.

Another important element of managing people is building a positive labour relations environment, one in which employees and their representatives can participate in workplace decisions that affect them. As a first step, collective bargaining with the Public Service unions will begin again in 1997-98, after a six-year hiatus. The collective bargaining process itself will be modernized and reformed through joint efforts with the unions.

Just as the Public Service has changed its structures, functions and business directions, so too must it simplify and modernize its management and administrative systems and processes, to make them more efficient and cost effective. A new job classification system, currently in development, will be critical to efforts to reform human resources management. When implemented, the new system will give departments greater flexibility; simplify pay and staffing systems; reduce the cost, complexity and rigidity of the current system; and make it easier for employees to move throughout the Public Service in the course of their careers.

While many efforts to simplify and modernize human resource management are underway throughout the Public Service, they are limited in some cases by current legislation. Some modifications have been made to respond to particular requirements as they have arisen, but it may be time to consider a more fundamental review. Such a review must help transform the federal government so that operational decisions are made in a more business-like fashion, ensuring that the federal government is a vital partner in a competitive economy.

Modernization of Program Delivery

Many initiatives to modernize the delivery of programs and services are underway in the Public Service. These efforts do not focus on cost-cutting alone, but rather on ensuring that Canadians receive an ever-improving mix of government services that meet their needs, and that the government provides these services within a stable expenditure base. Just as the private sector has had to innovate continually to provide goods and services tailor-made for the individual consumer, so must the government tailor its goods and services to the interests of its citizens. The design and delivery of government programs must be oriented toward the citizen, and not toward the needs of the Public Service, the constraints of current management styles or outmoded production processes.

There are many alternatives to traditional departmental structures for delivering programs, and the government is vigorously pursuing those alternatives. Information technology will continue to play a key role in the modernization process. Canadians expect affordable, accessible and responsive service. They expect choices in the way they access or receive services from all sectors of the economy, including government. The strategic use of information technology helps us meet these expectations by providing more flexible service, improving the quality and accessibility of information, and enabling transactions between citizens and government that were not possible a decade ago. Partnerships with provinces, the private sector and non-governmental organizations are another key strategy for moving service delivery closer to the citizen, reducing overhead costs and simplifying the citizen's access to a wide variety of services that may involve many different actors.

THE DESIGN AND DELIVERY OF GOVERNMENT PROGRAMS MUST BE ORIENTED TOWARD THE CITIZEN. THE STRATEGIC USE OF INFORMATION TECHNOLOGY SUPPORTS THE PROVISION OF AFFORDABLE, ACCESSIBLE AND RESPONSIVE SERVICE



Citizen-Centred Program Delivery

The government is exploring citizen-centred program delivery in three primary fields: service clustering, regulatory reform and cost recovery.

SERVICE CLUSTERING

The government will promote clustering services around the needs of citizens. This clustering can occur at several different levels, which include

- co-located information referral, in which a centre provides access to and information about a range of services that are delivered by different federal organizations and different levels of government. The long-established and successful Canada Business Service centres are the model;
- co-located program delivery, in which the services themselves are provided from one location. Our embassies abroad, for example, provide co-located services from several departments and provincial governments to travelling Canadians and to firms interested in business opportunities. These services may also relate to Canada's other foreign policy interests; and
- consolidated program delivery, in which one agency or department, acting as the agent for others, delivers a comprehensive package of services, somewhat like a retailer distributing products made by a variety of suppliers. The new Canada Food Inspection Agency will be an example of such an approach. Revenue Canada is another example; for many years, it has collected income taxes for most provinces, and is now moving on to collect the new coordinated national sales tax in several Atlantic provinces. The department also acts as an agent for the government in delivering certain social programs, such as the Child Tax Credit, which are implemented through the tax system.

CO-LOCATED AND CONSOLIDATED PROGRAM DELIVERY RESPONDS TO CITIZENS NEEDS



The government is considering going even further, and reorganizing the responsibility for developing programs around the characteristics and needs of citizens, rather than by subject matter. These new agencies for developing and delivering services could be regional or sectoral. There have been interesting provincial experiments, particularly in New Brunswick, that are worthy of further review.

REGULATORY REFORM

**REGULATORY REFORM
MUST IMPROVE
PROCESSES, AND
ASSESS THE WAY
REGULATION
AFFECTS INDIVIDUALS
AND FIRMS.**



Regulation plays a vital role in promoting market competition, protecting our environment and safeguarding the public. However, regulatory actions often increase costs for industry and governments, costs that are passed along to consumers and taxpayers. Controlling these costs goes hand in hand with managing more traditional direct government expenditures. Regulatory reform must improve processes, assess the way regulation affects individuals and firms, and consider ways these groups can help minimize negative effects. The government is considering cooperative mechanisms and analytical approaches to ensure that traditional program or departmental boundaries, or government jurisdictions, are not barriers to coordinated, citizen-centred regulatory solutions.

The first round of reform improved the transparency of the regulatory approval process. An extensive review of regulations, completed in 1994, made close to 1400 proposals for reform. Departments have addressed roughly two thirds of these proposals to date, and are continuing to implement others. Progress on regulatory initiatives outlined in the government's November 1994 report, *Building a More Innovative Economy*, is building on the positive results of this earlier review. The government is taking legislative measures, improving the way it manages regulatory systems and implementing six sectoral initiatives.

Canadians expect better service from government. Increasingly, regulatory authorities are working with stakeholders to develop reasonable performance standards in regulatory programs, which can range from programs for approving drugs or registering pesticide products to programs for inspecting fish processing facilities.

COST RECOVERY

**BECAUSE USER
CHARGES MUST
REFLECT THE VALUE
OF THE SERVICE OR
PRIVILEGE PROVIDED
TO CLIENTS,
COST RECOVERY
CONTRIBUTES
TO RESPONSIVE
GOVERNMENT.**



The government provides many programs for the benefit of all citizens, and others that assist the recipient for public policy reasons. It will continue to finance these programs from general tax revenues. However, there are many situations in which the activities and services provided by the government benefit a specific group, over and above the benefits the general taxpayer receives. The principles of Program Review, applied to all activities of the federal government, imply that the group receiving additional benefits should pay at least a portion of the costs.

Cost recovery is a strategic management tool for rethinking what a department does and how it finances those functions. It goes hand in hand with improving service and re-engineering programs. Because user charges must reflect the value of the service or privilege provided to clients, cost recovery contributes to responsive government. These charges must not be simply an expedient way to raise funds. By providing a way to test market demand, they help departments determine the proper scale of delivery. This, in turn, makes it easier for departments to eliminate over-consumption of "free" goods and to reduce pressures for continued expansion of "free" services.

The government is now preparing an updated set of principles that departments and agencies must use in applying cost recovery. These principles stress the necessity of meaningful and effective consultations with clients and other affected parties throughout the fee-setting process, to ensure that those who pay for the service have an effective voice in its design and delivery. Departments and agencies will also be required to conduct impact assessments to identify all significant potential effects, and to be able to explain to clients how costs are being controlled and why services are being delivered in the manner they are. Both sides will have to make their best efforts to prevent impasses from developing. Although individual ministers are obviously accountable for the application of the charges, processes are in place to mediate any situation where clients believe departments and agencies have not followed these principles.

ALTERNATIVE SERVICE DELIVERY

As part of the business planning process, departments and agencies continually re-evaluate the programs they deliver to determine whether alternative approaches to delivering services would better enable the government to achieve its objectives. They could consider a wide range of approaches, including

- selecting a different federal government organizational option – such as a special operating agency, service agency, Crown corporation or other type of mission-driven entity – that offers a more tailored policy, management and organizational framework that allows the government to focus more clearly on services, streamline operations and improve accountability;
- devolving federal programs to other levels of government when direct federal involvement is not necessary or appropriate;
- commercializing products and services when more businesslike approaches – such as revenue generation, employee takeovers, private-sector financing and contracting for services – can provide better value for money, allowing the government to focus on its core roles and responsibilities; and
- privatizing government services and corporate holdings that have fulfilled their policy objectives.

Alternative service delivery helps government provide services efficiently in a way that responds to Canadians' needs. The government has made substantial progress in restructuring service delivery and "getting government right." For example,

- the new National Marine Policy will require the large ports in the national system to become more commercial and financially self-sufficient, transfer regional and local ports to other provincial or local interests, and commercialize the St. Lawrence Seaway and Marine Atlantic Inc. National Ports System ports will be managed by Canada Port Authorities (CPAs) made up of representatives nominated by user groups and governments;
- several new special operating agencies – such as Measurement Canada, Occupational and Environmental Health Services, and Technology Partnerships Canada – deliver core programs and services in a mission-driven, client-focused, results-oriented and accountable way;
- effective November 1, 1996, Transport Canada transferred the civil air navigation service to a private-sector, not-for-profit corporation, successfully transferring 6,000 departmental employees to the new organization in the process;

**ALTERNATIVE SERVICE
DELIVERY HELPS
GOVERNMENT
PROVIDE SERVICES
EFFICIENTLY IN A WAY
THAT RESPONDS TO
CANADIANS' NEEDS.**



- the Employee Takeover (ETO) Policy, which the Treasury Board announced in 1996, encourages employees to deliver services from the private sector that they previously provided in the Public Service. These services would otherwise be contracted out on the open market. Certain Parks Canada services will be contracted out to ETO companies in 1997;
- the sale of CN Rail in 1996 earned \$2.16 billion in gross proceeds for the Crown, established CN as a strong player in the North American rail industry and ensured CN's long-term viability; and
- Public Works and Government Services Canada is outsourcing much of its property management and related services, an initiative that will save the government between \$40 million and \$50 million every year.

PARTNERING WITH OTHER LEVELS OF GOVERNMENT AND THE PRIVATE SECTOR

Partnerships are an important form of alternative service delivery. Partnering with other governments, voluntary organizations and the private sector helps the federal government reduce overhead costs and duplication, and bring services closer to citizens. Some of the most important examples of partnering may be taking place in Aboriginal programs. Aboriginal people and their organizations are taking over an increasing variety of educational, health, community development and housing services and programs that the federal government used to deliver. Other important examples include

***PARTNERING HELPS
GOVERNMENT REDUCE
OVERHEAD COSTS
AND DUPLICATION
ON OF SERVICE.***



- the Canada Infrastructure Works Program, a model of cooperative program delivery between three levels of government that reaches into every community in the country. The government has proposed a one year extension based on a favourable evaluation of the program;
- the Canada Food Inspection Agency, which will integrate the federal government's approach to inspecting food and providing quarantine services and will set the stage for a truly national system of food inspection. Legislation to establish the Agency is now before Parliament;
- the plan, announced in the 1996 Budget, to transform Revenue Canada into an agency called the Canada Border and Revenue Service, to make this essential government service more cost effective and responsive to taxpayers;
- the new Canada-Alberta Service centres, which will improve access to services by providing federal Employment Insurance benefits and provincial labour market programs and services at common locations throughout the province;
- agreements that the federal government has signed with Alberta and New Brunswick that transfer responsibility for designing and delivering active employment programs funded from the Employment Insurance Account. The federal government is negotiating similar arrangements with other provinces. These agreements will reduce overlap and duplication, respect federal and provincial roles and responsibilities in labour market activities, and tailor labour market development arrangements to local and regional needs;
- construction of the Confederation Bridge linking Prince Edward Island and New Brunswick, completed in November 1996, which was the result of an innovative financing arrangement, federal-provincial cooperation and private-sector expertise;
- the recent agreement between the federal government and provinces to restore the financial sustainability of the Canada Pension Plan (CPP), making it affordable for and fairer to future generations. These parties will move the CPP toward fuller funding by accelerating the legislated

contribution rate increases, improve the rate of return on the CPP fund by adopting a new investment policy, and slow the growth in costs by tightening the administration of benefits and changing the way some benefits are calculated; and

- the highly successful “Team Canada” missions and other international trade promotions conducted in partnership with provinces and the private sector.

Governance and Strategic Management

The rapid pace of change in departmental programs and services may have implications for the central coordinating and policy-making institutions of government. These institutions can no longer measure departmental accountability by controlling individual transactions. Nor can the complexity of the interactions between the various components of a minister’s portfolio be sufficiently understood from the perspective of an individual department or agency.

Strategic Management Role of Treasury Board

The Treasury Board has existed since Confederation to oversee and control most of the significant transactions of departments and agencies. Individual ministers had to seek the Board’s authority to enter into contracts, to implement capital projects, to make contributions or to modify individual programs. While the Board has extensively delegated these authorities over the years, further reform is needed to recognize departmental and ministerial accountability for making policies and delivering programs. However, more attention must be paid to the overall standards of management within the federal government, and mechanisms found to assure Treasury Board that departments maintain Public Service values and achieve their Business Plan objectives.

Departments, agencies and Treasury Board ministers are discussing the evolution of the Board’s role from detailed control to more strategic management. In this model, the Board, and the Secretariat that serves it, would develop and maintain an effective, government-wide management framework.

This framework would be evolutionary and dynamic. It would focus on strategic directions rather than on transactions; on results, not on process. Such a government-wide management framework would provide the key links between departmental plans, priorities, achievements and accountabilities and the overall strategic direction of the government. It would foster continual improvement in programs and service quality. It would make departments clearly accountable to ministers for their stewardship of public resources, and ministers clearly accountable to Parliament and Canadians for their exercise of public trust.

**TREASURY BOARD’S
ROLE IS EVOLVING
FROM DETAILED
CONTROL TO
MORE STRATEGIC
MANAGEMENT.**



Portfolio Management

The changes in the public sector and the development of alternative structures for delivering government services have led to another aspect of reform in the public sector: portfolio management. The government is seeking new mechanisms for enhancing the coherence of the policy development and service delivery of each of the departments and agencies making up the portfolio for which an individual Minister is responsible. This coherence can be achieved through shared values, a common sense of purpose, and a culture that encourages collaboration and partnership among the units that make up the public sector.

By regularly exchanging information, views on government priorities and best management practices, members of the various organizations in the portfolio can help develop policy and legislation in a coherent fashion while retaining their independence. Recent interdepartmental and portfolio initiatives have formally provided for cooperative evaluations, so that all parties can jointly determine benefits and effectiveness.

As each minister's portfolio is different, there is no one model for portfolio management. A number of projects are underway to implement the approach. It is clear that coordination and improved communication between deputy ministers and agency heads will be central to the success of these projects. The Treasury Board will also be considering ways of appropriately reflecting the dynamics and interrelationships of ministerial portfolios in the business planning process.

Accountability, Quality Service and the Relationship to Parliament and Citizens

Modernization of the Comptrollership Function

Financial control in the federal government is much more than the simple keeping of accounts that the popular image would suggest. The complex task of maintaining systems, information and procedures for managing resources, risk, accountability, verification, and results is the essence of modern comptrollership. Comptrollership implies vigorous stewardship of public resources, a high standard of ethics and provision for appropriate parliamentary oversight. But if managers are to deliver affordable and high-quality services to Canadians, they must have flexibility, incentives and information. Comptrollership is principally the job of managers, but it requires the support of performance and review specialists as well as financial managers.

An independent review panel will review and report on proposals for modernizing comptrollership in the Government of Canada. The members of the panel represent public- and private-sector expertise from the financial, legal, executive management and governance communities. The panel will focus on how the comptrollership function should change to ensure that it is relevant to the business and operating needs of the government. It will help the government adopt creative, effective solutions to meet current and future challenges. The panel will help the government achieve the goals of its Financial Information Strategy (FIS), which is intended to lead to a model for financial management and accounting comparable to that used in the private sector. The panel will also help the government ensure better accountability and performance reporting on program results, implement full accrual accounting and integrate quality service principles into departmental operations. In short, the panel will be pivotal in helping government manage its resources more effectively.

The panel will consult widely with public- and private-sector executives, elected officials and other levels of government. It will present the results of its review and recommendations to the Secretary of the Treasury Board and the Comptroller General of Canada in the fall of 1997.

COMPTROLLERSHIP IS ABOUT VIGOROUS STEWARDSHIP OF PUBLIC RESOURCES, A HIGH STANDARD OF ETHICS AND PROVISION FOR APPROPRIATE PARLIAMENTARY OVERSIGHT.



Enhanced Accountability to Parliament

Accountability of the government to Parliament is the cornerstone of democracy in Canada. The government recognizes that Parliament must have relevant, accurate and timely information on its priorities, plans and performance if that accountability is to be maintained.

Since March 1996, the Improved Reporting to Parliament Project has introduced, on a trial basis, innovations in the format of reports made to Parliament as part of the Estimates. These pilot projects are testing the replacement of the existing departmental Part III documents, now tabled with the Main Estimates, with separate reports on departmental plans and priorities in the spring, followed by performance reports in the fall. The first pilot performance reports were submitted in October 1996 by 16 departments, which are submitting reports on plans and priorities as part of this year's Main Estimates. Reaction from parliamentarians, academics, the media and the Auditor General to this initiative has been favourable. The government intends to recommend to Parliament that these pilots be extended government-wide in the coming year if parliamentarians remain satisfied with the information that the 16 pilot reports on plans and priorities provide.

This project is the first phase of what is expected to become an ongoing dialogue with parliamentarians on ways to reform the Estimates process. This reform must, on the one hand, provide the management tools, incentives and flexibility program managers need to efficiently and responsibly deliver services to meet the needs of Canadians. Just as important, it must improve the information available to parliamentarians and enhance their understanding of the priorities and performance of government programs so that they can effectively represent their constituents' interests in the funding, design and delivery of those programs through the Estimates and Budget processes.

Quality Service and Performance Measurement

The Quality Services Initiative is strengthening the focus of all federal government programs on improving the quality of service to Canadians and increasing their satisfaction with service delivery. It is based on the principles of client and Public Service involvement, leadership and innovation. It focuses on ensuring that the principle of delivering quality services to Canadians, appropriate to their needs and within the government's fiscal framework, underlies all government initiatives and priorities as an integral part of day-to-day operations. This strategy encourages government organizations to develop and communicate demonstrable service standards that Canadians can use to assess the government's performance, as well as the feedback systems necessary to maintain that quality. The Treasury Board of Canada, Secretariat provides the leadership and implementation framework for the Quality Services Initiative, including service standards. Individual departments are responsible for ensuring that quality service delivery is an integral part of all of their programs.

This initiative builds on a wide variety of work in departments over the last several years. Major progress has been made. Departments are planning for and implementing service standards, measuring performance against those standards to improve the quality of services, and making increased use of direct deposits, information technology, automated queue management systems and other innovations to improve service to clients.

**PARLIAMENT MUST
HAVE RELEVANT,
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TO BE MAINTAINED.**



The Secretariat is working with departments to improve the user-friendliness of the Government of Canada Blue Pages and the accessibility and quality of telephone inquiry services. It is also supporting the efforts of various government organizations – such as Natural Resources, Canada’s Centre for Topographic Information, the Federal Office of Regional Development (Quebec), and Agriculture and Agri-Food Canada’s Food Research and Development Centre in St. Hyacinthe, Quebec – to have their quality management system certified by the International Standards Organization.

Modernizing program delivery creates an environment where management requires greater flexibility in tailoring services to the needs of citizens. The ensuing increased authority at the local level and greater managerial flexibility, marked by the relaxation of bureaucratic rules and regulations, must be countered by an increased accountability for results. Reporting on the basis of results rather than process will determine the government’s capacity to deliver on its commitments successfully. The performance measurement strategy then involves three steps: identifying key expected results for departments and portfolios; improving measurement of performance and related costs; and improving reporting to Parliament.

**ACCOUNTING FOR
RESULTS IS A KEY
PART OF GETTING
GOVERNMENT RIGHT.**



Accounting for results is a key part of getting government right. To be accountable to the taxpayer, organizations must provide performance information. Such information is also essential for governance – managers use it to make decisions, improve service delivery and enhance the government’s broader ability to develop policy.

Effective departmental review – which includes internal audit, program evaluation and other management review activities – helps departments improve management practices, accountability, performance measurement, quality service, processes and systems. A key element in implementing this approach is the government-wide annual report on accountability for results. The report highlights key results commitments as well as review and performance measurement priorities for departments and agencies. This improves transparency for important performance issues. Future reports will improve access to information and strengthen accountability for results.

CONCLUSION – SUSTAINABLE GOVERNMENT FOR CANADA



Much has been accomplished in a few short years, but much remains to be done. We have set a course to provide Canadians with the sort of cooperative, effective, affordable and modern government that they must have, and can expect to have, as we move into the next century.

We have reclaimed Canada's fiscal sovereignty, but perseverance and commitment remain necessary.

We have rethought what the Government of Canada should do and what it should no longer do. Program Review has achieved fundamental change, but this constant questioning and striving for a better way must continue.

A modern government must be an open and accountable government. We are developing a new relationship with Parliament based on clear information emphasizing performance and results. We will continue to ensure that Canadians can see and judge what their government does on their behalf.

We have sharply reduced the size of the Public Service and are now embarked on a course of modernizing its management and rejuvenating its vigour and commitment. An effective and stimulating Public Service that draws some of the most energetic citizens into its ranks is essential for good government. Improving this important national institution will continue to be a priority.

To serve Canadians well, government must organize itself around the needs of its citizens. We will focus on finding new ways of delivering programs, including partnerships with others, to make government more accessible, more understandable and more useful to citizens.

Meeting these requirements will ensure that Canada's government can fulfil the roles that Canadians expect of it, roles that are no less important today than they have been over the history of our country:

- the economic union of Canada must operate as a whole, maximizing the contribution of each region to national economic growth, and maximizing the benefits each region receives from the resulting prosperity;
- Canada's fundamental social union, as a community dedicated to protecting and bettering each of its members, must be maintained and fostered;
- Canada as a whole must be able to respond to individuals and regions in need, whether that need arises from chronic disadvantage or from sudden disaster and loss;
- Canada must protect the rights of its citizens to participate in national life and to pursue their own interests and futures; and
- Canada must speak in the councils of the world with one voice, representing the interests and values of all its citizens.



***WE HAVE RECLAIMED
CANADA'S FISCAL
SOVEREIGNTY, BUT
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AND COMMITMENT
REMAIN NECESSARY.***

