

**Cabinet Decision-Making  
in Canada:**  
**Lessons and Practices**  
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## **INTRODUCTION**

Policy-making is a core function of government, central to a country's political and economic life. It is about how governments make choices and manage resources in order to achieve their economic and social objectives. In Canada, as in many countries, Cabinet is the supreme policy-making body. All major government policy matters are forwarded to it for decision. Cabinet ministers make decisions together, and bear collective responsibility for them.

The Institute On Governance recently completed a study for the World Bank on certain aspects of the Cabinet-level decision-making process in Canada<sup>1</sup>. It described, analyzed and derived lessons from the Cabinet-level decision-making process in the Canadian federal government and drew parallels with efforts to strengthen the Cabinet-level decision-making process in Africa. Its goal was to provide information relevant to the World Bank's work on building the capacity of Cabinets and Cabinet offices in African countries.

This paper is derived from the World Bank study. It is intended for Canadian readers, whose interest lies less in the relevance of the Canadian experience to other parts of the world, and more in understanding how certain elements of the Canadian system operate, how they functioned in the past, and what we have learned over the 60 years since a Cabinet office was created in Canada to support the business of Cabinet. Accordingly, the current paper focuses exclusively on description and analysis of the Canadian system. The African material from the World Bank study is omitted.

The World Bank asked the IOG to focus its examination of Canada's system for Cabinet-level decision-making on the following issues:

- factors driving major changes over the years in the decision-making process;
- the role of the Cabinet office (known in Canada as the "Privy Council Office") in managing the decision-making process;
- the division of labor between full Cabinet and Cabinet committees;
- "mis-use" of Cabinet by ministers seeking to avoid making decisions on their own;
- Cabinet's role in monitoring implementation of its decisions;

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<sup>1</sup> *Cabinet Decision-Making: Lessons from Canada, Lessons for Africa*, by Mark Schacter, with Phillip Haid and Julie Koenen-Grant, 1999. For a copy, contact the Institute On Governance by fax at (613) 562 0097, or visit our web site at <http://www.iog.ca>

- the role of Deputy Ministers in the decision-making process;
- the role of cabinet in the budget process;
- staffing of the Privy Council Office (PCO).

The paper is based on (i) interviews with present and former Canadian public servants, most at senior levels, who are familiar with Cabinet's decision-making process, and (ii) a review of the literature on the central decision-making process in Canada (see "Bibliography").

## BACKGROUND

Canada's first Cabinet secretary Arnold Heeney<sup>2</sup>, observed about the federal Cabinet decision-making system in 1945 that:

... the practices and procedures of which I give some account are by no means immutable; the functions and composition of the committees, which I shall describe, are by no means rigid. Quite the contrary. These are rules and forms honoured frequently in the breach. They are always subordinate to the circumstances of the case and the conveniences and necessities of the Prime Minister and his colleagues.<sup>3</sup>

In the intervening years cabinet committees have been struck and dissolved, systems and procedures implemented, revised and abolished, and central agencies created and dismantled. The relative power of Departments with respect to central agencies has risen, declined, and risen again. More than half a century later, a former deputy minister reached a conclusion not unlike Heeney's:

... ways in which policy has been developed and decisions made in any particular period has depended, to an extraordinary degree, on who was the head of government ... The perfect decision-making system is a chimera. What every government has to undertake ... is to seek such balance as may be possible among the complicated and diverse factors that bear upon decision-making ...<sup>4</sup>

The Canadian experience shows that there is as much art as science to crafting Cabinet's decision-making systems. Their design and operation have varied according to the working styles of prime ministers and broad environmental factors such as economic conditions and attitudes toward the public sector (the "temper of the times"). There have been no "ideal models" existing independently from the people who use the system, and the circumstances in which they work. The undisputed constant is that Cabinet, and its related structures are above

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<sup>2</sup> Prime Minister Mackenzie King created the position in 1940.

<sup>3</sup> Heeney, cited in Clark (1985), p. 186.

<sup>4</sup> Kroeger (1996), pp. 460, 468.

all the Prime Minister's own instruments for achieving his government's goals. They must be both functional and *comfortable* for him, as well as for his Cabinet colleagues and the officials who serve them.

Does this mean that all is relative? That there are no firm principles on which Canadian heads of government have based the details of their decision-making systems? The answer is mixed.

On the one hand, experience has produced broad agreement on principles concerning the functions served by the Cabinet system and, very broadly, the means by which the functions should be accomplished.

The acknowledged key functions of the Canadian Cabinet system include<sup>5</sup>:

- securing agreement among ministers on the government's priorities and on "horizontal" actions extending across individual ministerial portfolios;
- securing agreement on steps for passage in Parliament of the government's program;
- providing a forum for ministerial debate on issues of general interest;
- providing a forum for expression of diverse regional interests.<sup>6</sup>

As for the means by which the cabinet system should deliver these results, there is strong consensus that the primary consideration relates to generating and managing the flow of information and ideas. A guiding principle after 50 years of experience with a Cabinet office in Canada is that the quality of a Cabinet decision-making system may be measured by the degree to which:

- it meets Cabinet's needs for information and ideas, and
- it meets needs for information and ideas *efficiently*, i.e. participation in the system is not so time-consuming and process-laden as to draw Cabinet ministers away from their substantive functions.

On the other hand, there is no consensus on the details of system design. As a former senior PCO official observed, Cabinet's functions could be equally well performed with "more or less

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<sup>5</sup> Derived from Clark (1985)

<sup>6</sup> This function is rooted in Canada's cultural diversity (notably the French/English split) and significant regional economic disparities, combined with the relatively strong constitutional position of the federal, as opposed to a provincial, government.

paper at the Cabinet table, with more or less frequent meetings of Cabinet and its committees, and with more or less reliance on formal procedures.”<sup>7</sup>

## **EVOLUTION OF CABINET’S DECISION-MAKING PROCESS IN CANADA**

Other sections of the paper focus on the current Cabinet decision-making process. This section shows how changes in the decision-making process from pre-war times to the present have been (and doubtless will continue to be) driven by the:

- needs, personal preferences and working style of the Prime Minister;
- working style of cabinet members;
- size and scope of government operations;
- nature of the policy challenges facing the government;
- fiscal environment;
- public’s perceptions about government.

The 50 years up to 1980 saw progression from personalized, *ad hoc* decision-making to highly-structured, process-laden decision-making supported by an array of central agencies. A change of government in 1984 marked a return to an *ad hoc* approach. A new government in 1993 changed course again toward a more structured approach, but without the heavy process and structure of the pre-1984 regime.

### ***Before 1939***

Cabinet structure and bureaucratic support were simple. The size and scope of government was sufficiently limited, and the number of major policy issues sufficiently small, that business could be handled directly by ministers and Cabinet. There was no Cabinet secretariat, no Cabinet agenda, no formal recording of decisions and no system for communicating Cabinet decisions to departments. Subjects to be discussed at Cabinet were decided by the Prime Minister, with no advance notice to ministers.<sup>8</sup>

### ***1939 – 1945***

The war brought sudden government involvement across the economy, creating a need for more sophisticated mechanisms to manage and record cabinet decision-making. The first Secretary to the Cabinet – a position now commonly referred to as Clerk of the Privy Council, or more simply, “the Clerk” -- was appointed in 1940. The new function of Cabinet

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<sup>7</sup> Clark (1985), p. 191.

<sup>8</sup> Robertson (1971), p. 4.

Secretariat was grafted on to the existing Privy Council Office. Cabinet committees were established to coordinate war operations. The Clerk required ministers to give advance notice of intention to bring issues before Cabinet, prepare formal Cabinet agendas and submit to ministers advance information concerning Cabinet discussions; he kept notes of Cabinet discussions and made formal records of decisions.

### ***1946 – 1963***

Prime ministerial working styles and shifting popular sentiment about the bureaucracy caused decision-making processes to drift back toward absence of system and structure. Prime Minister Saint-Laurent preferred to leave post-War rebuilding to a group of dominant ministers and their top civil service “mandarins” who operated with considerable autonomy. Prime Minister Diefenbaker was elected on populist sentiment that resented the “mandarin” class. He was reluctant to delegate, and wanted virtually all issues discussed in full Cabinet.

### ***1963 – 1968***

As the public sector became more complex, Prime Minister Pearson tried to introduce more structure into decision-making, and to lighten the load on full Cabinet. He created standing committees of Cabinet and required that issues be dealt with in committee before going to Cabinet. A “senior” Cabinet committee, Priorities and Planning, was given the role of setting overall government priorities as a framework for expenditure decisions.

### ***1968 – 1984***

The working style and preferences of a forceful Prime Minister, combined with the tenor of the times (public policy activism and a high level of public spending<sup>9</sup>), had a profound impact on the structure of Cabinet decision-making. The interventionist, policy-activist nature of the Canadian government in the 1970s created a climate ripe for implementation of sophisticated policy systems. Into this environment came Pierre Trudeau, Prime Minister during most of the period, who:

- believed strongly in technocratic decision-making built on formal systems and analytical techniques;
- insisted on collective decision-making among ministers;
- believed in diversifying the sources of advice and information reaching ministers, so that they would not be “captured” by their own departmental officials.

Important developments in the Cabinet decision-making system included:

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<sup>9</sup> The budget deficit as a percentage of GDP rose steadily during this period from 0.9% in 1968/69 to 8.6% in 1984/85.

- introduction of openly partisan political advisers into the Prime Minister’s Office;<sup>10</sup>
- establishment of regular weekly meetings of Cabinet committees;
- expansion of the powers of Cabinet committees, which allowed them to present decisions to Cabinet for ratification, rather than for debate; the Priorities and Planning Committee came to be regarded as a *de facto* “inner Cabinet”<sup>11</sup>;
- creation of four new central agencies in addition to the PCO, the Treasury Board Secretariat and the Department of Finance: these included the Ministries of State for Economic Development and for Social Development<sup>12</sup>, which operated in parallel to the PCO to support the Cabinet Committees on Economic and Social Development;
- emphasis on collective decision-making within the committee system; ministers were encouraged to present options that ministers would debate together, rather than tabling a single set of recommendations for approval;
- creation of “mirror committees” of deputy ministers to support the Social and Economic Development Cabinet Committees; these were another layer of review, apart from the ministries of state and other central agencies, for ministerial proposals destined for Cabinet committee;
- launching of a budget development process known as the Public Expenditure Management System (PEMS), designed to strengthen ministerial control over priority-setting and resource allocation<sup>13</sup>; under PEMS the Economic and Social Development Committees of Cabinet were each given resource “envelopes” to cover the sectors for which they were responsible; ministers were collectively to decide on allocations to departments. The system imposed elaborate information requirements (e.g. “Operational Plan Frameworks” that demonstrated clear links between program objectives and allocated resources) and required rules to cover questions such as whether tax expenditures should be deducted from, or credited to, a resource envelope.

Most of these innovations were eventually dismantled. Though laudable in principle, they were widely disliked because they departed from the reality of how ministers and officials actually operated. PEMS was motivated by a desire for ministers to work collectively on controlling burgeoning public spending.<sup>14</sup> But its complicated bureaucratic machinery and rules – which engendered meetings and paperwork -- were manipulated or avoided. Collegial decision-making built around options, rather than pre-cooked recommendations, reflected the premium placed on rational and informed debate. The proliferation of central agencies, all of which had

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<sup>10</sup> Axworthy (1995). Previously, prime ministers’ advisers were almost always seconded from the civil service.

<sup>11</sup> It was never formally referred to as such. The need, noted above, for cabinet to be seen as broadly representative of diverse national interests, has made Canadian prime ministers reluctant to openly declare an “inner cabinet.” Bakvis and MacDonald (1993).

<sup>12</sup> The Ministry of State for Social Development was introduced while Trudeau was briefly out of power in 1979/80, but he retained it on returning in 1980.

<sup>13</sup> PEMS was introduced while Trudeau was briefly out of power in 1979/80, but was retained by him upon returning in 1980.

<sup>14</sup> The budget deficit equaled more than 4 per cent of GDP in 1979, up four-fold from 1970.

a role in reviewing and shaping ministerial submissions, was intended to give ministers access to diverse sources of information, minimizing the risk of undue influence by departmental officials. Mirror committees of deputy ministers were an attempt to get top officials to think outside of departmental “silos”, and take a broad perspective on policy-making and resource allocation. These arrangements *ought* to have represented a major improvement in the decision-making system. But, in practice, they failed the fundamental test noted above (p. 3) because they were not an *efficient* system for transmitting ideas and information to cabinet. A system “that was designed to assist ministers was found by many of them to be cumbersome, time-consuming and bureaucratic.”<sup>15</sup> The cumulative impact of the many systems and structures for advice, review, information and coordination was such that ministers felt they were “spending less time looking after departmental matters and more time in meetings and reviewing Cabinet documents.”<sup>16</sup>

### **1984 – 1993**

Trudeau’s short-lived successor, Cabinet colleague John Turner<sup>17</sup>, dissolved three Cabinet committees, wound up two central agencies (the Ministries of State described above) and abolished the mirror committees of deputy ministers.

A 1984 election brought a new ruling party and a changed attitude toward the public sector that, together, had a major impact on cabinet decision-making. Prime Minister Brian Mulroney was most comfortable with a transactional, “deal-making” decision style, the polar opposite of Trudeau’s preference for collegiality and “rational” systems. Moreover, the landslide victory of Mulroney’s right-of-center party signaled change in the “temper of the times”. In Canada, as elsewhere, the 1980s were a break with the expansive public sector ethos of the 1960s and 70s. Disdain and distrust of public servants and bureaucracy was a recurrent theme for politicians of the period, and was reflected in public opinion.

Although Mulroney changed some of the structures he inherited, it was the informal ways in which formal avenues were used or bypassed that marked a profound shift in decision-making. Two preferences shaping decision-making under Mulroney were to (i) assert stronger political control over policy development and implementation and (ii) short-circuit decision-making systems in order to achieve rapid results. “Mulroney ... preferred to operate free of the constraints that institutions and systems impose; the telephone and face-to-face conversations were his stock in trade.”<sup>18</sup> Notable developments included:

- an unprecedented degree of intervention by the PCO in detailed policy and operational matters across the government (PCO under Trudeau had also been highly interventionist, but most notably on matters of process);

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<sup>15</sup> Kroeger (1996).

<sup>16</sup> Bakvis and MacDonald (1993).

<sup>17</sup> Turner succeeded Trudeau upon his resignation as party leader, and automatically became prime minister.

<sup>18</sup> Kroeger (1996), p. 465.

- the expansion of non-civil service political staff for ministers and the Prime Minister;
- termination of PEMS; as noted, PEMS was unpopular due to its bureaucratic unwieldiness; as a collegial system, it was inconsistent with Mulroney's preference for bilateral deal-making with ministers;
- an increase in the number of Cabinet committees to 14, but ...
- initially, further enhancement of the role of the Priorities and Planning Committee as a *de facto* inner cabinet; later, creation of a subcommittee of Priorities and Planning, the Operations Committee – an informal “inner-inner” cabinet where big decisions about trade-offs and resource allocation were made;
- Cabinet membership grew to 40 ministers, making Mulroney's Cabinet the largest among the western democracies.<sup>19</sup>

The simultaneous expansion of Cabinet and the formal Cabinet committee system on the one hand and the informal concentration of power in the Operations Committee on the other, were consistent with Mulroney's lack of concern with system, and with his preference for bilateral, as opposed to collegial decision-making. The Operations Committee provided a restricted forum for making major decisions while the size of Cabinet and the fragmented committee system provided limited opportunities for ministers to engage in meaningful multilateral debate.

### ***1993 to present***

The current prime minister, Jean Chrétien, adopted reforms launched by a short-lived predecessor<sup>20</sup> that dismantled or simplified many of the structures inherited from the Mulroney government. Cabinet was cut from 40 to 23 ministers<sup>21</sup> and the number of Cabinet committees was reduced to four. The Priorities and Planning Committee was eliminated and full Cabinet returned to its former status as the senior decision-making body. Chrétien followed a relatively simple but systematic approach to decision-making, rejecting the *ad hoc* style of Mulroney. The two policy committees of Cabinet, Economic Union and Social Union, were empowered to make recommendations for affirmation (without debate) in full Cabinet on most matters of government business, leaving to full Cabinet the debate on broad, strategic issues. PCO retreated from the heavily interventionist mode of the Trudeau and Mulroney years, and focused instead on ensuring “due process” in decision-making (see below).

The changes were driven by two factors. First, Chrétien preferred a decision-making style somewhere between the process-laden multilateralism of Trudeau, and the process-empty bilateralism of Mulroney. He wanted a transparent, consistently enforced and simple process

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<sup>19</sup> Aucoin and Bakvis (1993), p. 394.

<sup>20</sup> Prime Minister Kim Campbell, who served for less than a year in 1993.

<sup>21</sup> Kernaghan and Siegel (1995), p. 382. There are currently 28 ministers.

giving all ministers a chance to participate, while leaving them free as individuals to exercise the limits of their authority, without reference to Cabinet. But where matters required Cabinet endorsement, he stressed that, though there should be a process allowing everyone to air their views, final decisions would rest indisputably with him.<sup>22</sup>

The second factor was the temper of the times. With public frustration rising over repeated failure by the previous government to eliminate the budget deficit, Chrétien pledged major reductions to the deficit (the 1997/98 budget showed Canada's first fiscal surplus since 1970). Producing a more streamlined government and decision-making process was seen as necessary to demonstrate his commitment to fiscal restraint and to "getting government right."

## **CABINET AND ITS COMMITTEES**

There are four Cabinet committees, two of which are policy committees -- the Committee for the Economic Union and the Committee for the Social Union.<sup>23</sup> Committees handle what PCO refers to as "transactional items" while discussion in full Cabinet is reserved for "strategic" matters and questions of broad political importance. Although these terms defy precise definition, their operational significance is sufficiently well embedded in the corporate culture that those working within the system seem to understand them well enough.

"Transactional" items are narrow and well-defined enough to be regarded as areas where an individual minister may take the initiative and where debate is not required outside the appropriate cabinet committee. Transactional items normally involve proposals requiring an immediate decision (approve vs. not approve) and are aimed at implementing some aspect of the government's broader agenda. Proposals for committee decision are presented in a "Memorandum to Cabinet" (MC), a concise standardized document with a format and table of contents strictly defined in a drafting handbook prepared by PCO<sup>24</sup> (Box 1). When a committee approves an MC, its recommendation is passed to full cabinet in the form of a "Committee Report" (CR) which is attached as an annex item to the agenda of a meeting of full Cabinet. Cabinet would normally accept the committee's recommendation without discussion.

In contrast to committees, full Cabinet reserves its time for "priority issues and broad policy and political concerns."<sup>25</sup> Cabinet discussion focuses on items with profound implications for the entire government and for the country. One deputy minister and former senior PCO official observed that full Cabinet meetings provide an opportunity for discussion of difficult

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<sup>22</sup> Interview by author.

<sup>23</sup> The other two committees are the Treasury Board (see Box 2), and the Special Committee of Council, which handles appointments and other administrative matters.

<sup>24</sup> Everything from the MC's subject headings to margin widths and font sizes is specified by PCO.

<sup>25</sup> Privy Council Office (1998).

and potentially contentious issues “away from the anxiety that goes with having to make an immediate decision.”<sup>26</sup> To take a fictitious example, full Cabinet might debate the “strategic” question of the implications for Canada of the “information age”. A result of the discussion might be a decision that a particular minister should lead development of a strategy to prepare Canada for changes in information technology. The details of the strategy might be debated in Cabinet committee, and the strategy might in turn lead to proposals of a “transactional” nature requiring Cabinet committee approval (e.g. establishment of a technology innovation fund), in which case the appropriate MCs would be prepared and discussed in committee (but not in full Cabinet). Alternatively, if the issue is especially significant or contentious, sufficient consensus may not emerge from the initial round of discussion in committee, and so it may be referred again to full cabinet. PCO is the lynchpin in this iterative process, continuously briefing the prime minister (via the Clerk) on how the discussions are going in committee and seeking his views on whether committee members may need further guidance from full Cabinet.

**Box 1: A Concise Decision Document: The Memorandum to Cabinet**

PCO requires that the entire MC (including attachments) not exceed 27 pages. The key Ministerial Recommendations section is limited to *four pages* which must cover:

- **Issue** – One-sentence summary of the issue facing cabinet;
- **Recommendation** – Proposed course of action for which the sponsoring minister is seeking cabinet’s support;
- **Rationale** – Sponsoring minister’s main arguments supporting the recommendation;
- **Problems & Strategies** – Possible adverse consequences of the recommendation, and ways to handle them;
- **Political Considerations** – Key political issues related to the recommendation;
- **Departmental Positions** – Positions (for and against) taken by other departments regarding the recommendation.

PCO’s instructions to MC drafters emphasize that “Ministers are busy people and their time is valuable.” Drafters are urged to “rework every sentence until every word counts”.<sup>27</sup>

The consequence of this division of labor is that the bulk of ministerial deliberations take place in committee rather than full Cabinet. Hours devoted to committee meetings are about three times (or more) the amount for full Cabinet. The latter meets once a week for two hours, whereas each committee meets once a week for anywhere from two to four hours.

Cabinet meetings are limited to ministers and a small number of officials. PCO exercises strict control over which officials are allowed to attend in order to “create an environment

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<sup>26</sup> Interview by author.

<sup>27</sup> Privy Council Office (1997).

conducive to freer debate.”<sup>28</sup> Officials who attend full Cabinet are mainly from PCO, and include:

- the Clerk (present by virtue of being both the cabinet secretary and the prime minister’s leading public service adviser; the Clerk does not normally speak in Cabinet meetings, unless invited to do so);
- the deputy clerk;
- the deputy secretaries of Plans and Operations from PCO (senior officials with lead responsibility for management of Cabinet and Cabinet committee business, who report directly to the Clerk);
- note takers from PCO;
- one or two partisan political advisers from the Prime Minister’s Office (e.g. the prime minister’s chief of staff);
- depending on circumstances, a small number of officials from line departments (e.g. a minister making a presentation to Cabinet may be supported by an official).

Attendance at Cabinet committee meetings, apart from ministers, is as follows:

- deputy secretary of Operations from PCO;
- assistant secretary for economic or social policy (depending upon the committee) from PCO, who acts as committee secretary;
- PCO desk officers who have worked on the items being discussed (desk officers only remain in the room for as long as their items are being discussed; they take the minutes related to their item – see Annex 2);
- a PCO communications officer;
- PCO Director of Operations (the official with day-to-day responsibility for the management of committee business);
- officials from the other central agencies (Treasury Board Secretariat and the Department of Finance – Box 2);
- a small number of officials from departments with items on the agenda.

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<sup>28</sup> Interview by author.

As noted, Cabinet committee meetings are intended to cover the details of policy, whereas full Cabinet meetings tend toward broader questions of politics. If debate in a committee meeting starts to move from policy issues toward politics, the minister chairing the meeting might ask some of the officials in the room to step outside.<sup>29</sup>

*The Policy Committees of Cabinet.* As the names suggest, the division of labor between the two policy committees of Cabinet rests on a distinction between whether a given issue is more a matter of economic or of social policy. In all cases, the decision on whether a matter should be routed to one committee or the other rests with PCO on behalf of the prime minister. In some cases, PCO may decide that an issue is of sufficiently broad interest to be considered by both committees in joint session. Issues in the areas of foreign affairs and defence, which often do not find a natural “home” in either of the two policy committees, are sometimes referred directly to full Cabinet, without going through committee. Current committee membership is shown in Annex 1.

### **PRIVY COUNCIL OFFICE AS CABINET SECRETARIAT**

The PCO is one of the three key central agencies in the Canadian system, the other two being the Department of Finance and the Treasury Board (see Box 2). Of its various functions, the one most relevant to this paper is its function as Cabinet secretariat, which makes it responsible for the smooth functioning of Cabinet. PCO provides secretariat support both to the Cabinet committees and to full Cabinet. Broadly, PCO manages the flow of business related to the decision-making process: it arranges meetings, circulates agendas, distributes documents, provides advice to the chairperson of each committee on agenda items, and records Cabinet minutes and decisions. (See also Annex 2).

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<sup>29</sup> Interview by author.

**Box 2 - Department of Finance and the Treasury Board**

It is beyond the scope of the paper to examine the other central agencies, but it is useful to describe them briefly, because each interacts closely with PCO and Cabinet, and so, shapes the environment within which PCO operates.

The *Department of Finance* is the government's leading source of economic analysis and advice. The Minister of Finance is responsible for the government's fiscal policy; the Department sets the annual fiscal framework as part of the budget process, and plays a critical role in making decisions about reallocating expenditures among departments. Together with the Treasury Board (below), it provides Cabinet and the prime minister with advice on the economic impact of ministerial proposals.

The *Treasury Board* is the only committee of Cabinet established by law. It has its own Minister and is supported by its own bureaucracy, the Treasury Board Secretariat (TBS). As the government's "general manager", TBS has a wide variety of functions in the areas of financial and personnel management. Functions most closely related to the cabinet decision-making process include TBS's responsibility for managing the budget preparation process, and providing Cabinet with advice on the financial implications of ministerial proposals, and on the degree to which ministerial proposals fit within departments' existing financial and personnel management authorities. As well, any departmental proposal with financial implications that receives Cabinet's approval must, as a final step, be submitted to Treasury Board for authorization of the required funding.

The organization of PCO reflects the split between "transactional" and "strategic" business discussed in the preceding section, i.e. between the business of Cabinet committees and of full Cabinet. The Operations sector of PCO handles Cabinet committee business while the Plans and Consultation sector handles Cabinet business. Each is headed by a deputy secretary reporting directly to the Clerk.

***Managing Cabinet Committees – The Role of the Operations Sector in PCO***

*Preparing an Item for Cabinet Committee.* PCO's role begins the moment that a department starts working on a proposal that will eventually require Cabinet's approval (see Box 3). The process may begin with a telephone call from a departmental official to the desk officer in PCO who covers that department. The official would be calling either because (i) he assumes that the proposal under development in his department will require Cabinet approval, and so wishes to reserve a slot on the committee's agenda, and/or seek guidance on the process of preparing the Memorandum to Cabinet (MC), or (ii) to confirm that the proposal relates to a matter requiring Cabinet approval.

**Box 3 – Go It On Your Own, or Go to Cabinet – How Does a Minister Know?**

Ministers in the Canadian system have considerable autonomy. The current prime minister likes them to push the limits of their authority, seeking cabinet approval only when absolutely necessary. The distinction between what a minister can and cannot do on his own isn't always black and white, but rules combined with decades of tradition means that it is fairly well understood. Ultimately, the prime minister (through PCO) has the final say. Regular dialogue between departmental officials and their PCO counterparts helps ensure that proposals requiring cabinet approval are identified at an early stage. A proposal goes to Cabinet if it:

- represents a new government policy;
- represents a change in existing policy approved in a previous Cabinet decision;
- has significant financial implications for the government;
- has significant implications for other ministers;
- requires new legislation;
- is a response to a report of a standing committee of Parliament;
- is a matter covered by international or federal-provincial agreements;
- is deemed to be an especially politically sensitive matter.

As well, a proposal may go to Cabinet simply because the Prime Minister wishes it to! He would normally make such a decision based on advice from PCO which might for any number of other reasons judge that Cabinet endorsement was needed.

One of the most important roles played by PCO desk officers, as well as their superiors up the line to the Clerk, is to ensure “due process” in the preparation of the MC and in the conduct of the committee meeting that considers the MC. Due process, from PCO’s perspective, is about dissemination of information and opportunities to express opinions. In particular, it means that PCO seeks to:

- ensure that all ministers are operating from a common base of information, and that all facts, analysis and documentation pertinent to a policy proposal have been made available in advance, in a form readily understandable to all parties;
- ensure that all ministers who wish to express a view on a policy proposal have the opportunity to do so.

Canada’s PCO uses a variety of means to fulfill its role as guardian of due process. One is its involvement in the formal inter-departmental review meetings that accompany preparation of the MC, attended by representatives of all departments interested in the policy proposal. Although it is the responsibility of the department sponsoring an MC to lead these meetings,

PCO keeps an eye on the process, satisfying itself that the right people are invited, the right documentation is distributed, and that full opportunity is provided for participants to express alternative points of view.

PCO staff also use other informal means, distinct from the formal review process, for facilitating horizontal exchanges of information and points of view, in order to smooth the policy development process and ready a file for presentation to Cabinet committee. Should it appear that differences of opinion are so large that they cannot be addressed at formal review meetings, or that some element of “due process” is not being respected,<sup>30</sup> PCO staff may work behind the scenes to organize informal meetings among officials to provide an opportunity for resolution of differences. Occasionally, a senior PCO official in consultation with the Clerk will arrange a meeting of ministers who are in disagreement about a policy proposal.

More rarely, PCO will use more interventionist tactics than brokering meetings between disputing parties or making indirect suggestions about “due process”. In some circumstances, PCO officials may use the power of their office to compel people to resolve their differences. The “power of the office” can indeed be an effective lever. PCO is seen as speaking for the prime minister and the Clerk – an irresistible combination, in many cases. Such tactics have particular significance when deputy ministers are involved, because a deputy, though working directly with a minister as his top public servant, is appointed by the prime minister on the advice of the Clerk<sup>31</sup>.

This gives the Privy Council Office influence over government operations, if only because ambitious public servants know full well that the Office has an important say over their future career opportunities inside government.<sup>32</sup>

More interventionist still (and used more rarely) would be to bring a dispute to the attention of the prime minister via the Clerk, and have him pronounce.

Throughout preparation of an MC, PCO staff will be communicating developments to the prime minister (through the Clerk and the prime minister’s political staff) so that information is always available to him or his staff on the status of any given policy proposal. Channels for communication between PCO and the prime minister have a routine that goes down to the desk officer level. Once a week, every PCO desk officer is given an opportunity to write a brief note on an item that he believes should be brought to the prime minister’s attention. These notes are passed to the Clerk, who will decide whether or not to raise them in the regular meeting that he has every morning with the prime minister.

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<sup>30</sup> One interviewee, a former senior PCO official, noted the role of PCO as a counterweight to “bullying tactics” by ministers or deputy ministers who may wish to block a full airing of alternative views.

<sup>31</sup> Who, among his various roles, is also the head of the civil service.

<sup>32</sup> Savoie (1997), p. 64.

Apart from its role in meetings leading up to the Cabinet meeting, PCO exercises strict control over documents tabled at Cabinet, vetting every item in advance. The objective is to guard against new facts or analysis being introduced at the last moment before all participants have had a chance to review them.

The over-riding objective of all these forms of involvement and intervention is to ensure smooth discussion of the MC at cabinet committee. “There are very few surprises at committee because so much preparatory work has been done,” a PCO desk officer observed. The preparatory period is not considered to be complete, and the MC not ready for presentation to cabinet, until all foreseeable significant differences of opinion appear to have been resolved, and all significant information and analytical gaps closed. This minimizes the probability that Cabinet committee will spend its time in unproductive wrangling over factual inconsistencies, the quality of the analysis supporting the MC, or the basic principles underlying the policy proposal.

Despite all of the preparatory work, there are inevitably cases where significant differences emerge at committee, the result, perhaps, of PCO having underestimated or misunderstood a minister’s discomfort regarding a policy proposal. In such cases, if the differences cannot be resolved in a timely way at the meeting, the matter will be referred back to the sponsoring minister for further work.

*Managing the Cabinet Committee Meeting.* A senior PCO official sits at the committee table as secretary. Each PCO desk officer who has an item on the committee agenda prepares a briefing note for the minister chairing the meeting. PCO will also prepare speaking notes for the chair and written advice for managing the meeting covering matters such as concerns likely to be raised by particular ministers, and ministers from whom the chair should seek interventions on particular items. PCO desk officers attend the portion of the meeting where their agenda item is discussed, and are responsible for taking the notes on that item.

*After an MC has been Approved by Full Cabinet.* The Cabinet papers system run by PCO takes care of formal communication of Cabinet decisions throughout the government. However, the more immediate and (often more meaningful) method of communication is through informal means. Normally, once Cabinet approval is confirmed, the PCO desk officer will inform his departmental colleague by telephone. As well, the regular Wednesday breakfast (following the Tuesday Cabinet meeting) held by the Clerk with all deputy ministers is an important opportunity for the Clerk to communicate to all departments the decisions taken by Cabinet that week and to signal any nuances in the decisions that the Prime Minister feels may not have been grasped by ministers. Indeed, if the Clerk believes there is a strong possibility that a minister may have misinterpreted a Cabinet decision, PCO will write a letter

to his deputy “confirming” the details of the Cabinet committee recommendation approved by full Cabinet.<sup>33</sup>

*Committee Documents other than MCs.* Not all business brought to committee is in the form of an MC requiring a “go” or “no go” decision. Often, ministers use Cabinet committee as a forum for testing ideas on their colleagues or to build support for ideas that may eventually become MCs. (Bringing issues to committee for discussion, rather than decision, is also a tactic used by some ministers to raise their profile in cabinet – though the issues must be sufficiently germane in the eyes of PCO in order to be given space on the agenda.) In these cases, ministers will table a non-decision document which takes the form either of an aide-mémoire or a bullet-form slide presentation. Unlike the MC, these documents have no prescribed format but, as is the case for an MC, they are vetted by PCO before presentation to committee.

*Avoiding the “Mis-use” of Cabinet.* The Operations sector of PCO, as the gatekeeper of the Cabinet committees, plays a role in ensuring that only issues appropriate for Cabinet are placed on the agenda. PCO staff will not allow an item to go forward to committee if it covers a matter clearly within the authority of the minister in question. Our interviews with PCO staff also suggest that, in any case, PCO rarely has to exercise this blocking function, for two reasons:

- traditional practices (Box 3) are sufficiently well-embedded in the system that most departmental staff almost “instinctively” understand when a matter must go to Cabinet; it is the exceptional case when a department will approach PCO with a matter that does not require Cabinet approval.
- Ministers in Canada have always tended to test the limits of their authority, and prefer as a general proposition not to have to seek Cabinet’s approval; the governing style of the current prime minister has reinforced this tendency.

The reduction in the size of Cabinet implemented in 1993 is also believed to have had an impact on narrowing the range of decisions that must be made by Cabinet. A consolidation of several government departments and a reduction in Cabinet membership significantly reduced the number of decision points in the Canadian executive. This diminished the inclination of ministers to “represent specialized interests and constituencies within and across portfolios”<sup>34</sup>. Many questions which previously might have been the subject of debate between ministers would now be under the authority of one minister. Inter-departmental issues became, as a result of Cabinet consolidation, intra-departmental concerns and therefore not fit for Cabinet.

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<sup>33</sup> Interview by author.

<sup>34</sup> Aucoin and Savoie (1998a), p. 5; see also Aucoin and Bakvis (1993).

### ***Supporting the Deliberations of Full Cabinet – the Role of the Plans Sector in PCO***

Many of the “housekeeping” details described above in relation to the Operations sector’s management of Cabinet committees apply equally to the Plans sector in its management of full Cabinet. The Plans sector vets and prepares all documents tabled for Cabinet meetings, assembles briefing materials, provides written advice to the prime minister to support him in his role as chairman of cabinet meetings, takes notes of Cabinet discussions and disseminates Cabinet decisions.

Full Cabinet tends to be forward looking and proactive – “a strategic forum to ensure forward movement of the government’s agenda”<sup>35</sup> -- whereas Cabinet committee spends much of its time reacting to proposals submitted by ministers. An important function of the Plans sector is therefore to propose to the prime minister a forward agenda for Cabinet, i.e. to provide a perspective on major strategic issues likely to emerge over the coming months that ought to be discussed by ministers.

In order to support development of a forward agenda, Plans orchestrates events and meetings that facilitate strategic thinking by Cabinet. These include:

- organizing Cabinet retreats, which occur at intervals of four to six months, and provide an opportunity for ministers to sit back and take stock of major issues; in recent times, major retreats have been linked to the expenditure allocation process, occurring just before and just after the budget;
- managing the “Priorities Exercise”, a recent initiative involving collective Cabinet discussion of budget priorities;
- managing the Coordinating Committee of Deputy Ministers, a group of top public servants that meets weekly, chaired by the Clerk, and which provides advice on issues to be discussed in full Cabinet.

### ***The “Challenge Function” in the Policy Development Process – PCO’s Role***

PCO plays an important role in ensuring that difficult questions are asked, and alternative points of view considered, in relation to issues coming before Cabinet. This role is referred to within the system as the “challenge function” and is acknowledged to be “perhaps the most controversial” of the roles played by PCO and the other central agencies.<sup>36</sup>

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<sup>35</sup> Interview by author.

<sup>36</sup> Government of Canada (1995).

In speaking for the prime minister, PCO aims to represent the broader interests of the government. This means challenging departments to take a hard look at positions they have taken, and to go beyond their own department's frame of mind to re-examine their conclusions and recommendations from all reasonable perspectives. It also means being alert to situations where opinions of a dominating minister or deputy minister may crowd out valid points of view.

A senior PCO official described the challenge function as “always asking the question: Is this in the public interest?”<sup>37</sup> As well, it means raising questions such as:

- what if we looked at the problem in another way?
- are you sure that the policy you are proposing fits with the government's broader policy agenda?

Often, the PCO will exercise the challenge function indirectly. Rather than posing the questions directly, PCO will see to it that they are raised, e.g. through the briefing notes and speaking notes that it prepares for the prime minister as cabinet chairman, or for cabinet committee chairmen.

The interesting observation from the Canadian system is that although departments often perceive it as unpleasant to be challenged by PCO, there is general acceptance (albeit grudging in some cases) that the challenge function is important to good policy development. Indeed, most players in the system *expect* to be challenged by PCO (or other central agencies) -- “everyone,” said a senior PCO official, “expects us to do our job”.<sup>38</sup> Anticipation of challenge sharpens departmental policy development work (hence the “love-hate” relationship between Departments and PCO).

PCO's position as direct adviser to the prime minister gives its challenge function considerable weight, adding to departmental concern about the way the function is exercised. Said a PCO official,

If you are going to challenge a proposal, you let the proposer know in advance that you disagree, and why, and with whom you plan to discuss your disagreement. Things are much more transparent than they used to be.<sup>39</sup>

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<sup>37</sup> Interview by author.

<sup>38</sup> Interview by author.

<sup>39</sup> *Idem.*

## STAFFING THE PRIVY COUNCIL OFFICE

There is a practice of rotating staff from line departments through PCO, particularly the Operations sector. A typical tour of duty lasts two to three years, after which the staff member returns to his home department. The tradition is such that PCO has come to be regarded as a training ground for “high flyers” in the civil service, or, as one PCO manager described it, “a finishing school for future deputy ministers” and other senior posts<sup>40</sup>. This practice is widely praised for the positive outcomes it produces for the public service and the policy-management process, including:

- increased mutual understanding between PCO and the departments about the reality of day-to-day functions and constraints;
- development of trust between PCO and the departments that contributes to smoother working relationships;
- increased understanding among departmental staff of the policy management process at the center of government;
- availability of a non-financial reward and recognition mechanism for high-performing Departmental staff;
- development of valuable inter-personal networks within the public service that support career development.

Some departments make a regular practice of allocating a staff member to PCO, on the assumption that he will “come back to the department after two years, the better for having seen the big picture.”<sup>41</sup> One official observed that a stint in PCO allows a civil servant to return to his home department with a “degree of independence from your Minister”<sup>42</sup> because of the quality of the network he will have formed. A sense of “independence from the Minister” allows a public servant to feel more confident in exercising his advisory role, and in occasionally “challenging” (in the sense described above) proposals from above. The impact of spending time in a central agency such as PCO can endure throughout a civil service career. A deputy minister in a line department observed that, in handling a matter that required extensive coordination across government, “I knew exactly whom to call, when to call and how to get colleagues onside” as a result of having worked in both PCO and the Department of Finance.<sup>43</sup>

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<sup>40</sup> Interview by author.

<sup>41</sup> *Idem.*

<sup>42</sup> *Idem.*

<sup>43</sup> *Idem.*

## **CABINET AND POLICY IMPLEMENTATION**

Neither Cabinet nor PCO concerns itself greatly with implementation. A Cabinet committee, when approving an MC, will discuss implementation issues such as related public communications activity or necessary legislative action. Once the MC is approved by full Cabinet, the sponsoring department must make a submission to Treasury Board (a statutory committee of Cabinet; see above) for release of the resources and confirmation of authorities necessary to implement the proposal. As for PCO, once Cabinet approves an MC, its immediate function concerning implementation is to ensure that Cabinet's decision is rapidly communicated throughout the government (see above). Apart from this, PCO has a relatively light hand in monitoring implementation. There are no formal implementation monitoring units or structures at the center. To the extent that PCO does keep an eye on implementation, it is through the day-to-day contact between PCO officers and their departmental counterparts. There is a strong and well-founded assumption in Cabinet that the department sponsoring a policy initiative will implement it, and that no systematic oversight is required.

While PCO does not regularly monitor implementation of Cabinet decisions, it does maintain a watch on progress against the government's broad political commitments as stated in its election platform and in the "Speech from the Throne" (an address from the head of state read in Parliament). The Plans sector of PCO keeps a quarterly scorecard on where departments stand in developing policies or programs to deliver on these commitments. The Clerk may also use his weekly breakfast meeting with deputy ministers (see above) as an informal means of monitoring progress, inquiring about "how preparation of your paper or your MC is coming along."<sup>44</sup>

## **THE DEPUTY MINISTER AND THE POLICY PROCESS**

As the minister's top bureaucrat, the deputy minister is the connecting point between policy and implementation -- he has a foot in each world. An important factor contributing to the successful functioning of the policy-making process in Canada is the degree to which ministers have been able to work productively with their deputy ministers.

On the one hand, the deputy is "general manager" of a government department, responsible for implementation of that part of the government's program for which his minister is responsible. He oversees operational planning, staffing, delegation of responsibility, performance appraisal, management of the departmental budget and adherence to government-wide administrative standards.

On the other hand, as the minister's top non-partisan policy adviser, the deputy is expected to anticipate trends, initiate policy ideas, advise the minister on his own policy ideas and on

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<sup>44</sup> Interview by author.

policy ideas initiated elsewhere in the government. A survey of relations between ministers and their deputies in Canada found that the most common relationship in which the minister and the deputy were jointly involved was policy development.<sup>45</sup>

Observation indicates that ways in which deputy ministers participate in the policy process include the following:

*Taking Initiative as “Policy Entrepreneur”.* A well-documented example is the role of the deputy minister in spearheading a fundamental revamping of the Department of Transport in the early 1990s. Over a period of five years, the Department moved almost entirely out of operational activity and subsidy provision. Staff levels dropped from 20,000 to 4,000 and the departmental budget from \$(Cdn)3.9 to \$1.6 billion. Times were ripe for such change – the Department had long been aware of a need for radical restructuring, and had done considerable analysis that had not been acted upon. When a new government took power in 1993, the new deputy minister of the Transport Department<sup>46</sup> seized the opportunity, and decided “to provide the new minister with a comprehensive set of plans for transforming the department and the entire transportation portfolio.”<sup>47</sup>

*Coaching the Minister.* A former deputy minister observed that, in dealing with ministers, he learned “not to assume that more than half of them are good at policy development.”<sup>48</sup> The political skills that contribute to a minister’s political success are different from the skills of a policy-maker (just as an accomplished policy specialist might make a poor politician). As issues in government increasingly become perceived as “horizontal”, and therefore less amenable to being handled within the confines of a single department, an important role for the deputy is in coaching the minister on how to “give in order to get” in the course of developing a new policy. The deputy’s bureaucratic knowledge and instincts allow him to navigate the bureaucracy in order to build consensus and gain the cooperation that the minister needs in order to advance his agenda. The deputy plays a key role in coaching the minister on when and how to develop relationships with other ministers.

*Horizontal Bargaining and Relationships.* Initiatives by the minister to reach out to other ministers depend on parallel efforts at the level of the deputy minister. Many ministers are quite new to government, while most deputies will have spent their entire career in it. They deploy their skills to work across the government, gathering information and building alliances in support of the minister’s goals. The deputy also supports the minister by keeping an open line of communication with senior officials in PCO. If the department encounters obstacles in dealing with other departments, the relationships forged by the deputy with PCO can help to smooth things over.

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<sup>45</sup> Bourgault (1998)

<sup>46</sup> Shortly after helping get the reforms underway, she was elevated to Clerk of the Privy Council.

<sup>47</sup> Bakvis (1998).

<sup>48</sup> Interview by author.

*Counterweight and Challenge to the Minister.* “Top officials worth their salt,” said an eminent former minister who had also been a deputy, “should be prepared to tell the minister, politely of course, that his or her pet ideas are for the birds.”<sup>49</sup> An important responsibility for the deputy is to exercise the “challenge function” in relation to the minister, much in the same way that the PCO exercises it in relation to line departments (see above). The fact that the deputy, as noted, owes his job to the Prime Minister and the Clerk, rather than to the minister of his department, gives him a measure of freedom to be frank and act on principle, without fear for his career. One former deputy recounted the following story:

My minister was planning to make an announcement that would have flown in the face of the government’s goals in a very sensitive area. I explained the risks and my reservations, but the Minister wouldn’t budge. I finally said I was going to have to go to the Clerk with this. The Minister got upset. He said “You work for me.” I pointed out that I worked for the Prime Minister and that I had to think about the government’s broader interests, rather than the Minister’s own objectives.<sup>50</sup>

### ***Mechanisms for Coordination of Deputies in the Policy Process***

Since the abolition of the “mirror committees” in 1984 (see above) there has been no formal and regular means by which deputies might review policy items before their presentation to cabinet. A task force report on horizontal policy coordination commissioned by PCO in 1995 expressed concern over the need to create more opportunities for deputy ministers to meet to discuss “larger policy issues.”<sup>51</sup> Current fora for cross-departmental coordination by deputies are largely ad hoc or informal in nature, and include:

- the Coordinating Committees of Deputy Ministers, chaired by the Clerk, which has both a policy and a management component, and assists the Clerk in shaping and implementing the Cabinet’s agenda;
- periodic retreats of deputy ministers which are an occasion for sharing views on strategic issues;
- weekly breakfast meetings and monthly lunches hosted by the Clerk which provide a forum for exchanging views on immediate issues;
- *ad hoc* committees of deputy ministers have been formed to coordinate development of policy on issues of government-wide interest; the “Climate Change Secretariat”, tasked with developing a Canadian strategy related to climate change, is a current example.

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<sup>49</sup> Mitchell Sharp, cited in Kernaghan and Siegel (1995), p. 379

<sup>50</sup> Interview by author.

<sup>51</sup> Government of Canada (1995), p. 19.

## **CABINET AND THE BUDGET PROCESS**

The budget in Canada is seen as the natural domain of the Minister of Finance, with other Cabinet members (apart from the Prime Minister) playing a subordinate role. Indeed, in the current Canadian environment of fiscal restraint, where spending and borrowing decisions controlled by Finance affect all ministers' freedom to launch policy initiatives, the Minister of Finance emerges far and away as Cabinet's second-most powerful figure (after the Prime Minister) with respect not only to the budget, but to virtually all public policy areas.

Budgets in Canada have become much more than mere statements of the coming year's expenditure plan. Increasingly, the budget speech is seen as the government's most important declaration of its fundamental policy priorities. This has created pressures within cabinet to build a broader feeling of identification with the budget. There have been several recent experiments aimed at attenuating the finance minister's role in favor of a more participatory process of budget-making. As will be described, these have met with varying degrees of success.

Ideally line ministers and the Minister of Finance would be equal partners in the budget process. While the Minister of Finance guards the government's fiscal objectives -- setting global targets for spending, revenue and debt -- line ministers protect the government's sectoral policy objectives. Over the years, Canadian Cabinets have struggled with the central conundrum of any budget process: how to merge fiscal constraints with program decisions through tradeoffs that reflect the government's social and economic goals. Only by addressing these two perspectives simultaneously -- the Minister of Finance working from the fiscal end and Cabinet colleagues in the line ministries working from the sectoral program end -- can an "ideal" budget, reflecting socially efficient choices be created. The Canadian budget process -- as elsewhere -- has generally fallen short of this ideal. "We have never gotten it quite right," a senior Treasury Board official observed.<sup>52</sup>

The Public Expenditure Management System, abandoned in the mid-1980s (see above), was Canada's most recent attempt to institutionalize a budget process requiring broad and intensive participation by Cabinet in decisions about tradeoffs between fiscal constraints and program objectives. As noted, PEMS was seen as overly complex and unworkable. PEMS aside, the tendency has been for Finance to control closely the budget process. There would typically be bilateral dealings between ministers and the Minister of Finance, with major decisions about inter-departmental tradeoffs left, ultimately, to him and the Prime Minister.

... the Minister of Finance [would] initiate some general discussions in Cabinet about the possible contents of the next budget. Somewhat later, when the specific contents

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<sup>52</sup> Interview by author.

were beginning to take shape, there would usually be a much more specific bilateral discussion with the Prime Minister ... The Minister of Finance would then approach those individual ministers whose portfolios stood to be affected by the budget ... The overall picture would not be known to more than a very small handful of ministers until the briefing of the Cabinet on the very eve of the budget.<sup>53</sup>

Extraordinary circumstances in the first years of the Chrétien government caused a temporary return to a budget process driven by broad Cabinet participation. Chrétien pledged to cut the budget deficit to 3 per cent of GDP by the 1996/97 fiscal year.<sup>54</sup> A sweeping expenditure reduction exercise – “Program Review” -- caused the most significant changes in post-war Canada to the structure, role and operation of federal government departments.<sup>55</sup> By the end of it in 1997, federal program spending in relation to GDP, stood at its lowest level in more than 40 years, while the public service rolls had been cut by 45,000, and the deficit reduced to 1% of GDP.

The cuts happened over two budget cycles, the first round being in 1995/96. The Prime Minister decided that the level of change, and pain, demanded by Program Review would require a collegial approach to expenditure reduction, involving the entire Cabinet. Domination by the Minister of Finance was ruled out. Finance set the expenditure targets, but management of the process that would produce the cuts was given to PCO (normally a second-tier player among the central agencies in the budget process). Harkening back to the “rational management” approach of PEMS, PCO set up a process whereby an *ad hoc* committee of ministers, supported by a parallel committee of deputy ministers chaired by the Clerk, would together review (and ultimately approve or send back for further work) proposals from every minister on meeting their reduced expenditure targets. In the spirit of a “rational”, as well as a collegial approach to budget-cutting, PCO asked that ministers develop their proposals for budget cuts by subjecting each of their department’s programs to six questions related to appropriateness and priority.<sup>56</sup> Looking back, most observers regard Program Review as an extraordinarily successful example of collegial budget-making. Success was attributed, in large part, to

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<sup>53</sup> Kroeger (1998), p. 33.

<sup>54</sup> The deficit stood at 6% of GDP in 1993 when Chrétien was elected.

<sup>55</sup> Kroeger (1998).

<sup>56</sup> PCO’s leadership of the process can be viewed as an example, writ large, of the “challenge function”, in that it was an alternative perspective on the budget process which was very different from Finance’s traditional approach. The six Program Review criteria set by PCO were: (i) Does the program continue to serve a public interest? (ii) Is there a legitimate/necessary role for government in the program area? (iii) Is the government’s current role in the program area appropriate, or could the role be transferred to the provinces? (iv) What programs could/should be transferred in whole, or in part, to the private or voluntary sector? (v) If the program continues, how could it be made more efficient; (vi) Is the resulting package of programs affordable within the constraint? If not, which should be abandoned?

- widely shared perceptions about the precariousness of Canada's fiscal position in the early 1990s and acceptance of the urgent need for radical measures;
- the insistence that departments make their own decisions about cuts (rather than imposing decisions upon them);
- the attempt at a "rational" rather than "across-the-board" approach to spending cuts;
- the collegiality and transparency of the process.

In the wake of Program Review, PCO has continued to assert influence over the budget process, mainly by facilitating Cabinet debate over allocation of the budget surplus. In an unusual "Priorities Exercise", PCO orchestrated a process in which Ministers collectively put forward proposals for new funding, and then voted for the most worthy. That this process occurred, suggests that Program Review may have had some longer-term impact on opening up the budget preparation process within cabinet.<sup>57</sup> Recent cabinet retreats (again, organized by PCO in its "challenge" role of exposing the prime minister to varied points of view) were fora for cabinet ministers to express views on budget priorities. Canada's tradition of Cabinet solidarity, and the need for Cabinet to function as a team, means that neither the finance minister nor the prime minister can easily ignore views expressed on such occasions by their colleagues.

On the other hand, with the trauma of Program Review complete, and a fiscal surplus in hand, there is a sense that the budget process must inevitably move toward its traditional domination by the Department of Finance. Even the Priorities Exercise was excluded from considering major initiatives sought by Finance and the Prime Minister – additional health spending and tax relief – which, together, would consume approximately half of the projected budget surplus. The intensively collaborative process of Program Review, driven by a sense of fiscal crisis, entailed a massive drain on ministers' time and on the supporting administrative apparatus. Though the payoff appears to have justified the cost, the circumstances were extraordinary and it is unlikely that a similar exercise will take place again any time soon. It is also instructive, in the current environment of hard budget constraints, to recall the amount of money actually up for discussion by Cabinet. The anticipated budget surplus in 1998/99 of approximately \$(Cdn) 7 billion amounts to less than 5 per cent of total government spending. The rest – allocated to statutory spending, ongoing programs, debt service and salary payments -- is virtually untouchable in the short term. Under the circumstances, a process controlled by the Minister of Finance and the Prime Minister, but including a reasonable amount of relatively informal input from the rest of Cabinet, may make some sense. The minor amounts of "new money" at stake probably do not justify the costs, in time and

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<sup>57</sup> Separately, in the move that has won praise, the Minister of Finance has launched public consultations related to the budget process. See Lindquist (1994).

administrative effort, of an intensive multilateral approach akin to Program Review, or to PEMS under Trudeau.

### **DISTINCTION BETWEEN OPERATIONAL AND POLITICAL ADVICE**

From a government's point of view, "good" policies are measured by both their political viability and their technical soundness. For example, a decision to raise taxes on motor fuel, though perhaps sound from an economic and environmental perspective, might be politically unfeasible and therefore a "bad" policy. If ministers and heads of government are to make wise policy decisions, they need a combination of sound technical *and* political advice. Problems may arise when:

- clear distinctions are not made between politically partisan, as opposed to non-partisan (i.e. public servant), advisers;
- one form of advice systematically pushes out the other, or is systematically valued more than the other;
- the relative roles and contributions of political, as opposed to non-partisan advisers are poorly understood; or
- there is inadequate communication between political and non-partisan advisers (because the one form of advice cannot properly be given in isolation from the other).

Canada's structures and practices for providing both forms of advice seem to work reasonably well. Ministers, as well as the Prime Minister, have a distinct (and relatively small) "political staff" operating outside of the public service, while non-partisan policy advice comes from public servants. In a minister's case, the lead public service adviser is the deputy minister. In the Prime Minister's case, it is the Clerk; the Prime Minister's political advisers are located in the Prime Minister's Office, which is distinct from the Privy Council Office.

Three lessons regarding political, as opposed to non-partisan policy advice emerge from the Canadian case. The first is that – although there will inevitably be tensions between political and non-partisan advisers – there is general recognition throughout the system that both kinds of advice are required and valuable. Indeed, senior officials say they work best when they know that the minister or Prime Minister has a capable political staff. This gives them comfort that their policy advice, is appropriately balanced by good political advice and reduces the likelihood that they will be put in the uncomfortable position of having to provide political, as well as technical guidance.<sup>58</sup>

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<sup>58</sup> Interviews by author.

The second is that both political and non-partisan advisers recognize the importance of understanding each others' views, and of avoiding working in isolation from each other. In the case of the Prime Minister, there are regular contacts at all levels between staff from the Privy Council Office and the Prime Minister's Office. In a case of a Minister, the deputy hopes for a situation where he can build a comfortable and close working relationship with the minister's political advisers.<sup>59</sup>

Third, it is recognized that political and non-partisan considerations are often so intertwined that they cannot be disentangled. This requires acceptance that public service advisers must be "non-partisan, operationally oriented, yet politically sensitive" while political advisers should be "partisan, politically oriented, yet operationally sensitive".<sup>60</sup>

PCO staff still refer to a paper written nearly 30 years ago by the then Clerk, who described the relationship between PCO and the Prime Minister's political staff in the following terms:

... we share the same fact base but we keep out of each other's affairs. What is known in each office is provided freely and openly to the other if it is relevant or needed for its work, but each acts from a perspective, and in a role, quite different from the other ... Obviously each office requires a knowledge of the areas of action of the other and the actions of the two must, to the extent that they affect the total policy of action of the government, be consistent ... It goes without saying, that mutual confidence and mutual respect – and mutual understanding of the basic difference between the two roles – are the foundation of co-operation between the Prime Minister's Office and the Privy Council Office. All have been present in my experience and, without them, the operation of government under the stresses of today would be difficult indeed.<sup>61</sup>

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<sup>59</sup> *Idem.*

<sup>60</sup> Robertson (1971), p. 20.

<sup>61</sup> *Ibid.*, pp. 20-21.

## CANADIAN LESSONS AND PRACTICES

### **1. Circumstances and personality count; the Cabinet decision-making system is a creature of its time and the Prime Minister. There is no evidence of an “ideal model” in the Canadian case.**

The design and operation of Cabinet decision-making systems have varied widely in Canada, according to the working styles of Prime Ministers and broad environmental factors, such as economic conditions and attitudes toward the public sector. The past 30 years alone have seen wide swings from attempts to use sophisticated, process-driven decision-making systems to transactional “deal-making” approach and then back again to the current situation, which lies somewhere between the two extremes. There is no reason to believe that the next 30 years might not see similar variability.

At the end of the day, the constant factor is that Cabinet and its related structures are above all the Prime Minister’s own instruments for achieving his government’s goals. They must be both functional and *comfortable* for him, as well as for his Cabinet colleagues and the officials who serve them. Canadian Prime Ministers’ choices about decision-making styles and systems have reflected both their personal styles and the broader political environment. Some have been enamored with elaborate systems and structures, others with personal interaction that defies system. The temper of the times has played a role, too. Decision-making in periods when governments are activist and budget constraints loose, differs from decision-making when governments withdraw and budget constraints harden. Public attitudes toward government are also a factor. High levels of public distrust and disdain for government appear to have affected not only the decisions taken by Canadian governments, but also the ways in which they have organized themselves to make decisions.

### **2. The decision-making system is expected to move valuable information and ideas efficiently into Cabinet. The system is designed to protect cabinet from items that should not require its attention. In short, the system places a high premium on Cabinet ministers’ time.**

Priority is placed in Canada on filtering out unnecessary information and issues from documents intended for Cabinet. For example, the Privy Council Office requires that the summary section of the Memorandum to Cabinet – sometimes the only section of the document that ministers pay close attention to – not exceed four pages. Meetings of full Cabinet are limited to two hours, once a week.

The Canadian system facilitates rapid and informal flows of information up to the Prime Minister, so that he or his staff may have constant access to developments on a wide variety of

policy fronts. Even junior staff in the PCO are encouraged to make their views known in the event that the information might be of use to the Prime Minister.

PCO saves Cabinet's time by seeking to ensure that disputes or misunderstandings about a policy proposal are resolved at the level of officials, before they reach the Cabinet table.

Highly formalized systems for "policy management" and decision-making have not succeeded in Canada precisely because they were inefficient means for transmitting information and ideas to Cabinet. The paperwork and meetings they generated were rejected as an unproductive use of ministers' time.

Decades of experience in Canada have developed a "corporate culture" around the Cabinet process that generally succeeds in keeping items off Cabinet's agenda that ministers could decide upon on their own.

### **3. PCO's effectiveness is built on trust and professionalism, tradition, locus of authority and capability.**

*Trust:* There is enough trust and professionalism in the system to ensure that everyone (more or less) assumes that everyone else is working (more or less) to serve the government's broad policy agenda, and thereby, the public interest. The tendency, therefore, is to give the "benefit of the doubt", rather than assuming ulterior motives when various players in the system ask questions, criticize, make suggestions, etc.

*Tradition:* The PCO has been fulfilling a Cabinet secretariat function since 1940. The years have created a familiarity with the ways of PCO and firmly established its legitimacy as a major actor in the policy development and decision-making process in Canada.

*Locus of Authority:* The PCO derives its authority from the fact that it works for (and speaks for) the Prime Minister.

*Capability:* Over the years, PCO has developed a reputation for being home to some of Canada's "best and brightest" public servants. There is general acceptance (albeit often grudging, and not without exceptions) that through the quality of its personnel, PCO may add value to the policy-making process, by seeking to ensure that the facts and analysis surrounding a proposed decision are of high quality and well-presented, that discussions are conducted fairly and openly and that Cabinet's business is managed efficiently.

**4. The decision-making system values “challenge” – it facilitates expression of diverging points of view.**

“Challenge”, in the best sense in which it is understood in the Canadian system, is distinct from being “aggressive”, “argumentative” or “disloyal”. It connotes recognition of the need for opportunities during decision-making for participants – without having their motives questioned -- to ask difficult or “uncomfortable” questions, introduce new points of view, challenge conventional wisdom, question the validity of facts and analysis and, above all, keep the debate focused on the public interest. There will always, of course, be cases where individuals resent or dislike being challenged; nevertheless the Canadian system grants great legitimacy to the “challenge function” because it is accepted that policy outcomes are the better for it. The variety of actors in the decision-making process provides many occasions for challenge. Staff from the PCO and the Prime Minister’s Office (PMO) challenge departments and each other, deputy ministers challenge their ministers, ministers challenge each other, the Department of Finance challenges departments and the other central agencies, etc.

**5. The decision-making system is expected to deliver “due process”.**

A critical function of PCO is to ensure that (i) all Ministers and their officials, who ought to be interested in a policy proposal, are given an opportunity to consider it in advance and to express their views, and (ii) all Ministers and their officials interested in a policy proposal are operating from a common base of sound information.

**6. The decision-making system distinguishes clearly between partisan and non-partisan advice, valuing both. Ministers have distinct partisan and non-partisan (i.e. public service) staff.**

Consistent with the value attached in the Canadian system to constructive “challenge” (see above), partisan and non-partisan advice to ministers are recognized as representing distinct, and equally valuable, inputs to the decision-making process. Partisan and non-partisan advisers recognize the importance of understanding each others’ views and of avoiding working in isolation. Throughout the government, there are regular contacts between partisan and non-partisan staff. Although the distinction is clear between who is a partisan and who a non-partisan adviser, it is also understood that political and technical policy considerations cannot always be neatly separated. It is said in Canada that policy advisers from the public service should be “non-partisan, operationally oriented yet politically sensitive”, while political advisers should be “partisan, politically oriented yet operationally sensitive”.

**7. The decision-making system in Canada does not oversee implementation; it assumes it.**

Neither the cabinet nor PCO concerns itself greatly with implementation. There is a strong and well-founded assumption in Cabinet that a department sponsoring a policy initiative will carry through and implement it, and that no form of close regular oversight is required.

**8. Broad Cabinet involvement in the budget process, though theoretically desirable, requires a major outlay administrative effort and ministerial attention.**

Canadian decision-makers continue to struggle with the question of how to integrate fiscal constraints with sectoral policy objectives in the budget-making process. Traditional pre-eminence of fiscal concerns, reflected in a budget process dominated by the Department of Finance, has tended to frustrate Cabinet ministers. On the other hand, so have elaborate systems (such as those implemented in the early 1980s, and later abandoned) that attempted to ensure broad involvement by Cabinet in the budget process. A recent exercise that featured broad involvement by the Canadian cabinet in a major budget-cutting exercise, though costly in terms of ministers' time and administrative effort, was judged successful because of the rapid results it achieved. But it was the product of extraordinary circumstances – broad agreement on the need for radical measures to avoid a fiscal crisis – and is unlikely to be repeated soon.

The Department of Finance is clearly in control of the budget process, but appears to be facing increasing pressure to open it to greater input from Cabinet, in view of the budget's growing significance as the government's most important annual policy statement. On the other hand, a process controlled by the Department of Finance and the Prime Minister, but including a reasonable amount of relatively informal input from the rest of Cabinet, may make some sense, given current fiscal circumstances. The minor amounts of "new money" at stake in the annual budget exercise probably do not justify the costs, in time and administrative effort, of an intensive multilateral approach akin to Program Review, or to PEMS under Trudeau.

**9. Deputy Ministers**

Deputy Ministers are critical actors in Canada's decision-making process. As the minister's top bureaucrat, the deputy is the connecting point between policy and implementation -- he has a foot in each world. Deputies can play the role of "policy entrepreneurs" in Canada; they can also, through their intimate knowledge of bureaucratic byways, help build the inter-departmental coalitions, and a base of support in the central agencies, in order to advance a minister's agenda.

Deputies also exercise the "challenge function" with respect to their minister. Because the deputy is appointed by the Prime Minister (on the advice of the Clerk), rather than by the minister with whom he works, he has a measure of freedom to be frank with his minister, and to act on principle.

**10. Most of the Canadian Cabinet's detailed work gets done in committee.**

The formal decision document in the Canadian system, the Memorandum to Cabinet, is debated in Cabinet committee; the committee's recommendation is normally placed on full Cabinet's agenda as an annex item, which is then affirmed without discussion. Full Cabinet's time is reserved mainly for discussion of broader strategic issues. As a result, full Cabinet's meetings are limited to two hours, once a week. (Each of the two policy committees of Cabinet, by comparison, meets for two to four hours, once a week.)

The division of labor in Canada between full Cabinet and committees evolved in recognition of the growing complexity of government. It was not until the mid-1960s, as the level and complexity of government business began markedly to accelerate and deepen, that the Prime Minister found it necessary to begin the practice of sending items to committee before full Cabinet.



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## **Annex 1 -- Policy Committees of the Canadian Cabinet<sup>62</sup>**

### ***Committee for the Economic Union***

Minister of Natural Resources (chair)  
Minister of Agriculture and Agri-Food  
Minister of Canadian Heritage  
Minister of Citizenship and Immigration  
Minister of Environment  
Minister of Fisheries and Oceans  
Minister of Foreign Affairs  
Minister of Human Resources Development  
Minister of Industry  
Minister for International Trade  
Minister of Justice  
Minister of Labour  
Minister of National Defence (vice-chair)  
Minister of Public Works and Government Services  
Minister of Transport  
Government House Leader  
Government Senate Leader  
Deputy Prime Minister (*ex officio*)  
Minister of Finance (*ex officio*)  
President of the Treasury Board (*ex officio*)

### ***Committee for the Social Union***

Minister of Justice (chair)  
Minister of Canadian Heritage  
Minister of Citizenship and Immigration  
Minister of Health (vice-chair)  
Minister of Human Resources Development  
Minister of Indian and Northern Affairs  
Minister of Intergovernmental Affairs  
Minister for International Cooperation and *la francophonie*  
Minister of Natural Resources  
Minister of Revenue  
Minister of Veterans' Affairs  
Solicitor General  
Deputy Prime Minister (*ex officio*)  
Minister of Finance (*ex officio*)  
President of the Treasury Board (*ex officio*)  
Government House Leader (*ex officio*)

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<sup>62</sup> Prime Minister's Office website.



## **Annex 2 -- Foot-Soldier of Cabinet Decision-Making: The PCO Desk Officer<sup>63</sup>**

### ***Introduction***

The desk officer in the Privy Council Office (PCO) plays a critical role in the smooth functioning of Cabinet's decision-making machinery. Desk officers manage and prepare files for Cabinet and cabinet committee. They are a key point in the flow of information that originates both from below (within departments to PCO then up to the Prime Minister), and from above (from the Prime Minister down through PCO to the departments). Significant tasks performed by the desk officer are described below.

### ***Preparing for Cabinet Committee***

Preparation for Cabinet committee involves a daily and a weekly routine. The morning begins with a "roundup" when desk officers meet with their Assistant Secretaries to review the daily agenda. Every Tuesday or Thursday (depending upon the Cabinet committee in question), the desk officer attends the committee meeting if an item he has worked on is on the agenda. The officer is in the room only for discussion of his file, in order to take notes. After the meeting, the desk officer writes that portion of the Committee Report (CR) having to do with his item. In some cases, the desk officer will produce his portion of the CR in advance of the committee meeting, particularly if the issue is politically sensitive and requires urgent attention in the Prime Minister's Office. The fact that a portion of the CR could be written in advance demonstrates a critical aspect of the desk officer's work: it is his responsibility to do such thorough preparation of a cabinet committee file – involving consultation with all affected parties and resolution of snags and disagreements – that by the time the matter reaches committee, the result is, in many cases, a foregone conclusion.

The day after Cabinet committee meetings, desk officers meet their Assistant Secretaries (who serve as secretaries of the Cabinet committees) and begin to shape the agenda for the following week. The routine includes:

- finalizing all briefing materials;
- receiving departmental Cabinet documents to be tabled at the following week's committee meeting (final versions of Cabinet documents must be submitted by departments five working days in advance of the Cabinet committee meeting);
- establishing which officials should attend the meeting;
- preparing a briefing note on the desk officer's Cabinet committee item, which is sent to the committee chair, vice-chair, committee members, Prime Minister's political staff, the deputy Prime Minister, government leaders in the House of Commons and the Senate;
- preparing speaking notes for the committee chair, which include:
  - ⇒ background on the issue;
  - ⇒ the objectives of the minister sponsoring the item;

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<sup>63</sup> Prepared by Phillip Haid, Institute On Governance, from interviews.

- ⇒ advice on handling the discussion;
- ⇒ advice on issues likely to be raised by ministers;
- ⇒ advice on whom to turn to for interventions;
- ⇒ advice on desired outcomes from the meeting related to the item;
- ⇒ speaking notes for various ministers who may wish to intervene;
- ⇒ a note to the Prime Minister, indicating the likely outcome and PCO's perspective.

### ***Supporting Drafting of the Memorandum to Cabinet (MC)***

The process of preparing the MC often begins with a call to the desk officer from a departmental official advising that their minister plans to bring a proposal to Cabinet. The call is typically made to reserve a slot on the committee agenda, to confirm that the issue requires Cabinet approval, or to get advice on the process of preparing an MC. The desk officer helps the department evaluate the timing and feasibility of taking a proposal to Cabinet committee.

Once it becomes clear that an MC should be prepared, the desk officer examines the policy issues to gain a better grasp of the scope of the proposal, and of the breadth and intensity of the required inter-departmental consultation. The desk officer will meet regularly with departmental officials and participate in the inter-departmental meetings which are called by the department sponsoring the proposal.

The desk officer's goal throughout preparation of an MC is to support development of consensus around the proposal. Rather than wading into the policy debate, the desk officer helps ensure that problems between departments are resolved, that facts and analysis in the MC are accurate and reasonable, and that the policy proposal fits with broad government priorities. Operating from the center, the analyst is well placed to alert departments to problems they may encounter from any part of the government. On occasion, the analyst will convene meetings (usually through their Assistant Secretary) if it appears that "due process" is not being respected (see below). Once all the issues have been worked through inter-departmental meetings (the number of which varies by issue and the players involved), the MC is ready for cabinet committee. At this point, the desk officer, in conjunction with his superiors, prepares and finalizes the groundwork for committee described in the section above.

### ***Preparing for Cabinet***

The desk officer's role in preparing for full cabinet is similar to preparation for committee. He ensures that procedures have been properly followed, that presentations are factually and analytically sound, and that key participants are properly briefed; the desk officer prepares minutes and contributes to drafting the formal record of decisions taken at the meeting. A task peculiar to supporting full Cabinet is preparation of the briefing book for the Prime Minister in his role as Chairman of cabinet. The book must provide background on each minister's presentation and advice on how to handle the related discussion.

### ***Ensuring Due Process***

Desk officers emphasize the importance of their role to ensure “due process” in preparation of items for Cabinet discussion. Dominant ministers should not be in a position to push an item through committee due to lack of knowledge or opportunities to intervene by Cabinet colleagues and their officials. Due process therefore involves ensuring that all ministers or their officials have an opportunity to speak and be heard on an issue coming before a Cabinet committee, and that all are operating from a common base of information.

### ***Challenge Function***

Desk officers in PCO speak for the Prime Minister and all that he represents. They may therefore find themselves in a position where they must challenge departmental officials in order to support the integrity of the government’s agenda. One desk officer observed, however, that the challenge role should be tempered by the more important role of supporting due process. He observed that some officers may get caught up in the power accorded by virtue of being in PCO, losing sight of how the challenge function – if misused -- can stall the policy process and undermine the officer’s own credibility. While challenging a department’s facts and analysis can be a valid function, the way it is handled is of great importance. In some cases, the desk officer’s role is not so much to challenge the facts and analysis himself, but rather to see to it that others do so.

### ***Protecting the Integrity of the Government Agenda***

The PCO desk officer protects the Prime Minister’s agenda by signaling to him (through superiors) a ‘hot’ or pressing issue, or by indicating to departments where the Prime Minister stands on a particular question. Through participation in inter-departmental meetings, and through routine briefing notes sent up the line through the Clerk to the Prime minister, the desk officer becomes a critical point in the flow of information to departments about the Prime minister’s preferences and priorities. Simultaneously, the desk officer is feeding intelligence to the Prime minister about departments’ responses to, and interpretations of the government’s agenda, as well as potential problems, to which the prime minister will appreciate receiving early warning.

### ***Helping Shape Policy***

PCO desk officers see their role as more process-oriented than policy-oriented, but also believe that, given the horizontal nature of many issues facing government, their role in affecting process has a significant impact on substantive policy outcomes. Desk officers point to the “scenario notes” they prepare for the Coordinating Committee of Deputy Ministers, a group that advises the Clerk on strategic issues coming before Cabinet. While the desk officer’s role in preparing the notes is to help set the agenda, contribute to building consensus among deputies, and work with the other central agencies, the process involved enables them to offer substantive advice that advances the agenda. Similarly, desk officers working on preparation of an MC, though working first and foremost on process, have a wide range of opportunities to have an impact on policy.

***Strengths of a Good PCO Desk Officer***

Officers mentioned the following qualities as essential:

- ability to prioritize;
- strong writing skills, including sensitivity to the target audience;
- strong inter-personal skills including ability to maintain good relationships over the phone;
- sound judgement;
- knowledge of how government works;
- aptitude for policy;
- ability to work under pressure;
- creativity;
- discretion;
- ability to balance the political and bureaucratic worlds.