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## ORIGINAL ARTICLE

# Spending reviews and the Government of Canada: From episodic to institutionalized capabilities and repertoires

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## Abstract

Following surges of spending and staff hiring to address the COVID-19 pandemic, the Trudeau government announced a strategic policy review in the 2022 Budget to secure savings of \$6 billion. There has been little apparent progress by May 2023 and opaque communications. This is surprising because Canada was once considered an international exemplar for spending reviews, needs to learn from the pandemic experience, has a worrisome medium-to-long-term federal spending trajectory, and the governance and economic context has rapidly evolved. This article identifies different kinds of spending reviews and design considerations, reviews Canada's experience with reviews since the early 1980s, considers recent OECD experience and exemplars, and argues that its spending reviews have become increasingly selective and closed. We suggest the Canadian government should institutionalize annual spending reviews, which can be scaled up or down, and that this points to more fundamental issues for reform and building a new governance culture.

## Sommaire

Après la vague de dépenses et de recrutement de personnel pour répondre à la pandémie de COVID-19, le

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gouvernement Trudeau a annoncé un examen stratégique des politiques dans le budget de 2022 afin de garantir des économies de 6 milliards \$. En mai 2023, nous constatons peu de progrès apparents et une opacité de communications. Cela est surprenant, compte tenu du fait que le Canada étant autrefois considéré comme un modèle international en matière d'examen des dépenses, doit tirer des leçons de la pandémie, que sa trajectoire de dépenses fédérales est inquiétante à moyen et à long terme, et que sa gouvernance et son contexte économique ont rapidement évolué. Après avoir identifié différents types d'examens des dépenses et des contraintes de conception, passé en revue l'expérience du Canada en matière d'examens depuis le début des années 1980, et examiné l'expérience et les exemples récents de l'OCDE, cet article soutient que les examens des dépenses du Canada sont devenus de plus en plus sélectifs et fermés. Nous indiquons que le gouvernement canadien devrait institutionnaliser les examens annuels des dépenses, pouvant être augmentés ou réduits, et que cela souligne des questions plus fondamentales pour la réforme et l'établissement d'une nouvelle culture de gouvernance.

## INTRODUCTION<sup>1</sup>

In the wake of the surges of spending and staff hiring to address the COVID-19 pandemic, the Trudeau government announced in the 2022 Budget a Strategic Policy Review to be led by the Treasury Board of Canada to secure savings of \$6 billion. It will be comprised of two streams:

The first will involve assessing the effectiveness of government schemes in meeting key priorities of strengthening economic growth, inclusiveness, and fighting climate change, while the second will involve identifying opportunities to “save and reallocate resources” to reflect “a new post-pandemic reality.” This second portion will also look at how government can build upon changes made during the coronavirus pandemic, such as digital delivery of public service, and the use of increased virtual or remote work arrangements... (Johnstone, 2022).

The Treasury Board of Canada Secretariat (2022) indicated this will involve “implementation of a comprehensive and continuous strategic policy review of government programs to examine how major programs and policies contribute to meeting the biggest challenges of our time, including achieving net-zero greenhouse gas emissions by 2050, improving fairness and equality, and promoting quality of life and growth for everyone” (p. 3). However, a year later

there has been little apparent progress along with relatively opaque communications from the government on how the review has been and will be proceeding (Lapointe, 2023).

Launching spending reviews is no small task, especially if a government seeks to review a larger rather than a smaller spectrum of programs, and if, beyond securing savings, it seeks to realign programs for emerging and future needs. Initiating spending reviews is even more difficult if ministers, central agencies, and departments have not developed regular repertoires or processes and have no experience doing so. Realigning programs and reallocating expenditures have always been difficult because of the predictably strong reactions of stakeholder communities, notwithstanding the arguments for prudence in fiscal policy and controlling growth in public expenditures. Indeed, governments should design reviews with clear objectives in mind, ensure commensurate administrative capacity and well-articulated processes, and show political resolve.

Canada has long been considered an international exemplar for program reviews, especially on the strength of the Chrétien government's 1994–1996 Program Review (Bourgon, 2009; OECD, 2019; Tellier, 2022), but that achievement took place over 25 years ago. Canadian governments have launched other spending reviews of varying kinds, but these have been episodic, mainly in reaction to crises, and not built into government repertoires. In this article, we argue that following the COVID-19 pandemic and the explosion in spending and hiring of federal public servants, there is a need for the federal government and the public to take stock, identify what was learned and what old and new policies and programs ought to be relinquished, and which policies ought to be retained and built upon. Although the federal deficit and debt situation is not, in the short-term, as grave as the early 1990s when a significant share of public expenditure was diverted to debt-interest payments, the medium-to-long-term implications of the accumulation of recent expenditure decisions is worrisome. And, given the rapidly evolving governance and economic context for Canada—e.g., supply-chain and labour-supply disruptions, the Russian invasion of Ukraine, the aggressiveness of China, recent political gyrations in the United States, etc.—the government should be systematically rethinking its priorities sector by sector, and where it should make investments five or ten years out. Not only would the country benefit from a comprehensive spending review at this juncture, if carefully designed the opportunity is also ripe for instituting and building administrative capacity for regular annual reviews, which could be scaled up or down depending on the needs of governments.

In what follows we seek to put Canada's recent and previous experience with spending reviews into perspective, and to consider ways forward. The first section draws on international literature to identify different kinds of reviews and typologies developed to capture this experience and identifies design considerations and helps to locate the experience of Canada and other jurisdictions. The second section provides snapshots of the character of significant reviews of Canadian governments, including the 1984–1986 Task Force on Program Review (Mulroney), the 1994–1996 Program Review (Chrétien), and the 2007–2010 Strategic Review and 2011–2015 Strategic and Operating Reviews (Harper). The third section considers the recent experience of other national governments since the Global Financial Crisis and COVID-19 pandemic, often reflecting the trajectories in broader budgeting and performance management systems. With that in hand, the fourth section shares what we know so far about the strategic reviews initiated by the Trudeau government with the Spring 2022 Budget, the progress to date, and assess how this compares to other reviews. We conclude by considering the prospects and requirements for institutionalizing more systematic spending review processes in Canada and suggest that this points to more fundamental questions about

public sector reform, preparing for government transitions, and building a new governance culture.

## DIFFERENTIATING SPENDING REVIEWS AND IDENTIFYING DESIGN CONSIDERATIONS

Various terms are used to describe efforts to review government expenditures, with many differentiated by the purpose(s) assigned to such reviews. The broad label of “spending reviews” is often used to describe the conduct of detailed and in-depth assessments of public expenditure over a given timeframe to identify opportunities to cut or reduce, re-distribute or redirect resources from low-priority, inefficient, or ineffective programs or services to higher priority areas (Catalano & Erbacci, 2018; Robinson, 2014; Robinson, 2020; Vandierendonck, 2014). However, such a definition fails to distinguish between spending review and reduction exercises within an existing menu of programs, services and other government activities from a strategic exercise that identifies new value-creating opportunities within an organization (Micheli & Manzoni, 2010). Such opportunities could take the form of adjusting for new government-wide policy priorities, re-aligning spending to policy priorities, harmonizing responsibilities with other jurisdictions or reframing administrative policies that better reflect responsibilities.

Table 1 provides a definitional roadmap of the types of reviews that governments could decide to undertake against possible purposes. The OECD reports that more than 75 percent of its members conduct some form of reviews either annually or periodically. Some countries, such as the Netherlands and South Korea, embed a formal, regular system into budget repertoires, but only a small minority of countries do so (Doherty & Sayegh, 2022). Most OECD countries use spending reviews to reallocate resources to higher priority governmental policy aims, improve spending efficiency, or to reduce overall government spending. When analyzing review initiatives, it is important to not take the type or purpose of the review at face value since a review might involve multiple purposes, and one way to get a handle on this is to take a close look at the approach or methods which guide the review.

The design of spending and strategic reviews is influenced by four dimensions: political, social, organizational, and processual (Catalano & Erbacci, 2018). The political dimension attempts to understand the degree of political support for undertaking reviews that could inform policy and budgetary decision-making, otherwise decisions on savings targets and where to target savings or reallocations will not be effective (Pollitt, 2010). The social dimension determines the degree of public legitimacy for the decision process which must also account for the degree of acceptance and readiness of people to live and work under such conditions (Pandey, 2010; Pollitt, 2010). The organizational dimension takes account of institutional decision-making and cultural practices of a government and its public service as these influence savings and re-allocative decisions (Dunsire et al., 1989). The process dimension examines the internal constraints affecting decisions of design and conduct of reviews (Shepherd, 2018).

Table 2 shows that spending and strategic reviews can be designed in several ways. A central agency could become a responsibility centre for a spending review, designing the overall governance structure and establishing the review criteria, while departments and agencies take responsibility for their conduct and reporting back to the centre of government. For strategic reviews, other jurisdictions and sectors may be involved, thereby making governance that much more complex. However, similar challenges remain with respect to the degree of

**TABLE 1** Types of Reviews Available to Governments.

Type	Purpose	Approach
Spending Review	Efficiency and Cost Effectiveness:	<ul style="list-style-type: none"> <li>• Fiscal consolidation by cutting expenditures;</li> <li>• Reduce rate of growth in public expenditures;</li> <li>• Digitalize activities.</li> </ul>
	<ul style="list-style-type: none"> <li>• Reduce program duplication;</li> <li>• Reduce personnel inefficiencies;</li> <li>• Reduce cost over-runs.</li> </ul>	
	Creation of Fiscal Space	
	Reprioritize Existing Expenditures	<ul style="list-style-type: none"> <li>• Moves funding and resources from low priority or ineffective areas to higher priority or more effective areas.</li> </ul>
	Achieve Better Value-for-Money	<ul style="list-style-type: none"> <li>• Identify areas of inefficient spending where similar processes or results can be achieved with fewer inputs thereby freeing resources either to cut or re-prioritize.</li> </ul>
Strategic Review	Improve Governmental Performance	<ul style="list-style-type: none"> <li>• Assesses capacities and capabilities of the central public administration (operational);</li> <li>• Assesses governance strengths and weaknesses including administrative policies (policy levers);</li> <li>• Assesses governance challenges facing government to address public policy aims (systems);</li> <li>• Identifies reforms that can be undertaken within the public administration and sets out a reform agenda (strategic advantage).</li> </ul>
	Improve Longer-Term Public Policy Outcomes	<ul style="list-style-type: none"> <li>• Assesses governmental responsibilities and identifies areas to reduce duplication and overlap with other jurisdictions (corporate efficiency);</li> <li>• Assesses economic or social areas for public intervention and identifies investments in key areas on national, sectoral or jurisdictional basis (strategic advantage).</li> </ul>

**TABLE 2** Questions for Developing Design Options for Spending or Strategic Reviews.

Who is Responsible?	What is the Scope?	What are the Criteria?
Independent authority?	Targeted vs Comprehensive?	Focused on single agency or working across agencies?
Centralized vs decentralized?	Operating program costs?	Scale of review elements?
Small or large teams?	Capital costs?	Minimum criteria for scale?
Different skill sets?	Transfer payments?	Exceptions or exclusions?
	Administrative policy?	Mandatory recommendations?

independence the review body holds, how coordination will be exercised, how the coherence of the exercise will be maintained, and what processes or methods are to be employed. Decisions also need to be made about the scope of a review: should it target specific programs or sectors or embrace all programs and services? If targeted, decisions are required on which types of expenditures will be reviewed and the methodologies to be used: program reviews (e.g., Harper government Debt Reduction Action Plan); policy area reviews (e.g., central agency administrative policy reviews); process reviews (e.g., HR, procurement, or IT/IM processes); or department/agency reviews (e.g., covers all of an institution's programs, processes against strategic objectives). Finally, the design must account for whether the criteria will apply to a single agency or wider range of institutions, and for the scale of activities/programs, minimum eligibility requirements, any exceptions for inclusion, and whether the recommendations are mandatory or not coming out of the review exercise (Doherty & Sayegh, 2022).

The literature also suggests that the institutional arrangements for spending and strategic reviews should be carefully designed; that reviews work best when supported by a well-conceived governance structure and with strong commitment from political and senior officials. The design of review approaches can generally take three forms or a combination of: a *bottom-up* approach in which spending departments and agencies examine their spending and propose recommendations for central agency review; an *arms-length* approach in which an independent review body such as the central treasury or finance department takes the lead or conducts the review; a *joined-up* approach where departments, agencies and central agencies jointly design and conduct the review. Joint reviews are generally more effective (Pollitt, 2010; Robinson, 2014; Shepherd, 2018) because the recommendations are based on greater access to information, there is more input from departments and agencies, and the review process and final decisions are better understood and respected.

Drawing on OECD experiences, the literature suggests that spending and strategic reviews benefit from the following: strong political support and visible commitment to the process including that ministers are directly involved in reviewing recommendations; strong central finance department leadership that coordinates the review across a single government and/or coordinates with other finance ministries if a multi-jurisdictional review (e.g., Denmark, Slovak Republic and UK use dedicated review teams); review teams that engage with other actors to access sectoral knowledge, data, systems and expertise for detailed analysis of the effects of proposals (OECD, 2019); combine internal experience with external expertise to overcome bias errors (Doherty & Sayegh, 2022); systematically integrate reviews into the budgetary process (Robinson, 2014); and public reporting that ensures transparency of findings (Shepherd, 2022).

## **SPENDING AND STRATEGIC REVIEWS: THE CANADIAN EXPERIENCE 1984–2013**

Since the early 1980s, the federal government has undertaken three major rounds of periodic and comprehensive review exercises: the 1984–86 Nielsen Task Force on Program Review; the 1994–96 Program Review under the Chrétien government which was followed by another comprehensive review by the Martin government in 2003–04; and the Deficit Reduction Action Plan (DRAP) exercise, an embedded and comprehensive process within the Treasury Board Secretariat from 2010 to 2013. Reaching back forty years may seem a stretch, but it was the government's experience with the Nielsen Task Force that shaped the design and conduct of future spending reviews.

## The Mulroney Government's Nielsen Task Force on Program Review (1984–86)

The Task Force on Program Review (NTFPR) was announced on 17 September 1984, the day after the Mulroney Progressive Conservative government was swept into power, to review all the programs delivered by the government (about a thousand) with a view to making programs more accessible to citizens and to improving management and decentralizing responsibility for those programs. The Prime Minister tapped his Deputy Prime Minister (Erik Nielsen), as well as the Minister of Finance (Michael Wilson), the Minister of Justice (John Crosbie), and the President of the Treasury Board of Canada (Robert de Cotret) to lead the task force, and appointed a Private Sector Advisory Council to review reports from study teams before they were shared with the ministers for consideration, in effect creating an arm's length relationship between the task force teams and the ministers. Twenty-two study teams were established, with an even mix of approximately 225 private and public sector representatives, including some from provincial and municipal governments (Wilson, 1988, pp. 28–9). The work was intense: three teams submitted reports covering over 25% of the programs by March 1985, all reports were submitted by December 1985, and the Deputy Prime Minister tabled the final report along with 21 volumes in March 1986, 19 months after the NTFPR had been struck (Wilson, 1988, pp. 30, 33).

The Nielsen Task Force eventually came to be seen as a disappointment. In part this was due to a lack of clarity about its objectives: was it to identify cuts and efficiencies, encourage better management, identify alternative models for delivering programs, or eliminating programs? The reports were to be reviewed by relevant committees in the House of Commons, but little time was devoted to this task. The study teams had insufficient time and information to fully work through the costs and human resource implications of their options, so completing such analysis fell to the Treasury Board Secretariat and departments. The very openness of the Task Force (with external experts on study teams and publication of the reports) guaranteed it would be difficult to satisfy diverse stakeholders, including those represented on the study teams and the recipients of the programs under review). The work of the Task Force was complicated and diminished by announcements in the November 1984 mini-budget, the 1985 budget, and other government declarations. The breadth of programs reviewed was overwhelming, and by the middle of its mandate the government was dealing with the political realities of governing.

For many participants and observers keen on changing government policies and programs, it appeared that the government did not make significant policy decisions, which was blamed on bureaucratic foot-dragging, but the government did announce selective changes, across-the-board spending restraints, regulatory reform, and a new bureau for real property management (Wilson, 1988, pp. 33–5). In short, there was loose correspondence between ideas generated by the study teams and government decisions: some initiatives could be tied to the NTFPR report, others stimulated further reviews, other proposals were sufficiently provocative that the government abandoned them, and many others were eventually adopted years later, often not associated with the work of the Task Force.

## The Chrétien Government Program Review (1994–1996) and beyond

The Chrétien government's Program Review was launched because Canada had become one of the worst economic performers among G7 nations with a debt-GDP ratio reaching 67 percent,



and debt-servicing consuming roughly 35 percent of all government revenues, an increase from 11 percent in 1974–75 (Bourgon, 2009, p. 13). Canada was in serious financial difficulty and faced credit agency downgrades, which would increase debt-servicing costs that would lead to further across-the-board expenditure cutbacks and stifle growth. The Minister of Finance, Paul Martin, undertook extensive consultations with provincial governments, experts, and the public on the fiscal challenge before the government's first budget (February 1994), creating public consensus on the need to bring public finances under control (Lindquist, 1994).

The Program Review was formally announced on 18 May 1994. A small Program Review Secretariat established in the Privy Council Office, which soon provided briefings to ministers and departments in June 1994. The review sought to assess the relevance of the federal government's spending in the country, while finding ways to reduce spending. More detailed guidelines and the “test” questions and criteria for arriving at strategic action plans in July, all on the understanding that announcements would be made in the February 1995 Budget (for details, see Bourgon, 2009; Paquet & Shepherd, 1996; Tellier, 2022). The apparatus developed to undertake the review was as follows: the Program Review secretariat was small, staffed via secondments with an executive director, five officers, and two support staff; the Prime Minister appointed a special cabinet committee of nine ministers to vet the proposals and build political consensus;<sup>2</sup> a steering committee of the most experienced deputy ministers, chaired by Secretary to Cabinet and Head of the Public Service, was appointed to initially review, comment and vet proposals, comprised of the most experienced deputy ministers; and eventually the recommendations were shared with the full cabinet to ensure balance, deal with issues, and provide a united front to the caucus and the public. In short, the review process was centrally directed with the active involvement of the Prime Minister and Secretary to Cabinet.

Nevertheless, the Program Review heavily relied on input from departments: early on they were asked to appoint Program Review coordinators and to submit their strategic action plans by August 31. Starting in mid-September, the DM committee met every two weeks to review clusters of departmental proposals, sending some back, but eventually all went to the ministerial committee for further review. With these inputs, a cabinet retreat was held in October to review the proposals and approve highly differentiated targets for departments. Once the final plans were received, a full Program Review package was tabled at another cabinet retreat in mid-January 1995 (Bourgon, 2009, pp. 24–6). The decisions were announced in the February 1995 Budget by the Minister of Finance. More could be said about the nature of the cuts and alternative service delivery decisions, but the short version of the story is that the federal deficit was eliminated by the 1997–98 fiscal year, followed by eleven years of surpluses and a smaller public service (Bourgon, 2009). Another round of review, focusing on horizontal issues took place during 1995 and were reflected in the 1996 Budget. These decisions—along with the June 1993 restructuring of the public service—added to considerable dislocation across the public service. Many gaps surfaced in different policy and service delivery sectors, some quite significant, such as funding for affordable housing and dealing with homelessness (Tellier, 2022).

The Program Review rejected across the board cuts and embraced the idea that economic productivity would eliminate ongoing budget deficits. The aim was debt reduction but not by means of across-the-board cuts, but rather, to identify which programs could be eliminated or delivered differently, and which programs should be preserved in order to complete or meet important needs. Departments were asked to assess their needs and propose the types of conditions programs would have to build to be more responsive to stakeholder community challenges without duplicating the efforts of other jurisdictions (Bourgon, 2009, p. 14), but the

review did not directly engage other levels of government or stakeholder groups or communities (Lindquist, 1996). The Program Review was a targeted spending review, with departments and particular programs experiencing very different levels of cuts; and programs had to align with new governmental priorities and responsibilities. It was also a strategic review because ministers and senior decision-makers engaged in a series of “policy reviews ranging from defence to foreign policy, science and technology, small business and the efficiency of the federation to a review of all federal agencies,” leading eventually to a range of social security policies and programs and transfers to individuals (Bourgon, 2009, p. 14).

Later, Prime Minister Martin, previously the Minister of Finance, inherited several major initiatives of his predecessor, including recommendations from the 2002 Romanow Commission report on the future of Canada’s healthcare system that would require significant outlays (e.g. guaranteeing cash payments to provinces and territories, and to primary health care, diagnostic services, home care, access to emergency drugs, wait times, and building a national personal electronic health record) (Canada, 2009). Similar reforms to agriculture, R&D, cultural policy, and regional and industrial development meant that federal revenues had to be increased. To maintain a balanced budget, Martin drew on a long-time annual Australian practice (Wanna et al., 2000) and established a one-time Expenditure Review Committee (ERC) in cabinet to examine program spending to reduce government costs, streamline spending to align programs to cabinet priorities, and revisit federal responsibilities in key policy areas. The review had two phases: the ERC reviewed each program’s relevance and then assessed each program’s sustainability over the longer term with “tests” similar to those of the 1994 Program Review. Ministers were to defend the purpose and effectiveness of department programs and present options for the future (i.e., cancellation, reduction, or structural change) (Bourgon, 2009). Given its focus on internal operations and programs, this initiative was not nearly as ambitious as the 1994 Program Review, and more closely resembled a spending review. It did not survive the Martin government.

## **The Harper Government strategic reviews (2007–2010 and 2011)**

Prime Minister Stephen Harper’s Conservative government was elected in 2006 on promises of introducing tax cuts (including reducing the GST by 2%) and increasing the efficiency and cost-effectiveness of government. Two rounds of review were undertaken: the 2007–2010 strategic reviews; and the 2011–2015 strategic and operating review (Curran, 2016, 2019). They had different aims and methodologies but were both comprehensive in scope and focused on cost savings (Shepherd, 2018) and details about the process and nature of the commitments were held quite tightly by the government (IFSD, 2017; Wells, 2011).

Budget 2007 announced annual “strategic reviews” to re-establish the policy and expenditure decision-making connections observed in the 1994–96 Program Review. It sought savings of \$2.8B and obligated departments and agencies to assess all direct program spending including the operational costs of statutory programs on a four-year cycle. The process was administered by a unit in the Treasury Board Secretariat. Departments and agencies were required to use the Program Review’s seven tests (e.g., role of government, value-for-money) and to identify options reallocating 5 percent from their lowest-priority, lowest-performing program spending to high-priority and high-performing programs identified by Treasury Board ministers.

The reviews included contributions to third-party delivery agents such as First Nations governments on-reserve, various granting bodies, and research and health organizations, as well as operating and capital spending to deliver various programs such as Veterans and economic development programs (Shepherd, 2018). Exempt programs included transfers to individuals and other orders of government (40–50 percent of all federal spending). It also exempted some Indigenous programming given talks at the time addressing Kelowna Accord recommendations for increased program spending. The results were less about reinvestment ultimately, and more about deficit reduction (i.e., cuts) (Dumaine, 2012, p. 67). Given the 2008 global financial crisis, however, budgets that had been in surplus and had made provisions for tax cuts were now facing structural deficits. Deeper cuts were recommended to public service spending in all areas: the strategic reviews were ended in favour of a more traditional periodic approach.

In 2011, the strategic reviews were expanded and renamed the Strategic and Operating Review (SOR), intended as a one-year process to find efficiencies in the Public Service, and included assessments of salaries, benefits, and outsourcing. It expanded on the spending review exercise to “examine direct program spending as appropriated by Parliament. About \$80 billion of direct program spending will be reviewed with the objective of finding at least \$4 billion in ongoing savings by 2014–15 or 5 percent of the review base. The review will place particular emphasis on generating savings from operating expenses and improving productivity, while also examining the relevance and effectiveness of programs” (Canada, 2011, p. 182). The SOR focused on finding efficiencies in administrative functions and eliminating non-essential functions. Ultimately, it was less about making strategic cuts, and more about finding savings to balance the budget after the outlays associated with the Economic Action Plan (Lindquist, 2022). By 2015, the combination of regimes placed Canada in a position to weather the effects of the global financial crisis as evidenced by a fairly steady debt-GDP ratio of 30 percent by 2015.

## The Canadian trajectory and style for spending reviews

Since the early 1980s, Canadian governments have episodically undertaken spending reviews. The 1984–85 Nielsen Task Force sought to review all federal government programs with relatively independent teams of external experts to propose alternative means of delivery and management, whereas the 1994–96 Program Review took the form of comprehensive, albeit more sculpted, reviews led by closely held temporary secretariats or “administrative adhocracies” at the centre (Lindquist & Buttazzoni, 2021; Mintzberg, 1979). The more recent strategic reviews under the Harper governments were also centrally driven, but more secretive, and relied heavily on consulting firms.

In short, Canada has developed a style for undertaking reviews, even if they evolved over the years: they have been episodic, moving from being comprehensive to more targeted reviews; and usually focused on securing savings, but often exploring alternative policy and service delivery options (see Table 3). Since the Nielsen Task Force, the reviews have not involved representatives from other sectors or levels of government: they have been unilateral, federally focused, and closely held (though often with spillover effects on other levels of government; Tellier, 2022). As we discuss later, the Trudeau government’s recent approach to strategic reviews does not break from this institutional trajectory.

TABLE 3 Characteristics of Canadian Spending Reviews.

	<b>Mulroney Government</b>	<b>Chrétien Government</b>	<b>Harper Government</b>	<b>Trudeau Government</b>
<i>Name of Review</i>	Task Force on Program Review (Nielsen)	Program Review	Strategic Review	Strategic & Operating Review (DRAP)
<i>Time horizon</i>	1984–1986	1994–1996	2007–2010	2011–2015
<i>Motivation</i>	New government, growing deficits, improving delivery	New government, serious deficit interest payment challenge	New government, maintain fiscal and spending discipline	Securing savings for deficit reduction after Economic Action Plan
<i>Purpose</i>	Improving management & accessibility of federal programs	Identifying core federal programs, alternative service delivery, and deficit reduction plan	Focus on contributions to third party entities and administration; exempted transfers	Direct spending of the government, emphasis on savings on operating expenses & productivity
<i>Scope</i>	All programs delivered by federal government (1000 programs)	Comprehensive, but some departments and programs excluded	Programs were selected for review each year	Focus on savings from administrative functions
<i>Coordination</i>	Special ministerial committee and staff	Small secretariat in the Privy Council Office	Small secretariat in the Treasury Board Sect.	Small secretariat in the Treasury Board Sect.
<i>Undertaking reviews</i>	Study teams of private & public experts from outside the government	Departments produced reviews addressing tests of Program Review team	Departments and external consultants	Departments and external consultants
<i>Governance</i>	Reviewed by Private Sector Advisory Council & Ministerial Task Force	Reviewed by a Deputy Minister committee, a cabinet committee, and finally full cabinet	Treasury Board and Minister of Finance	Treasury Board and Minister of Finance
				Likely Treasury Board and Minister of Finance

## STATE OF THE ART FOR STRATEGIC REVIEWS: RECENT INTERNATIONAL EXEMPLARS

Canada has long been considered an exemplar for undertaking spending reviews, particularly because of the Chrétien Liberal government's 1994–1996 Program Review, that led to the elimination of the deficit in a surprisingly short period of time (Bourgon, 2009; Paquet & Shepherd, 1996; Tellier, 2022). The reviews set in motion by the Harper government were noted by the international literature but not celebrated as the Chrétien Program Review had been; countries such as Denmark and the Netherlands were identified as exemplar jurisdictions for reviews (Doherty & Sayegh, 2022). Canada is amongst a group of countries noted for its episodic reviews (see Figure 1) and as discussed below, there are other countries which more systematically link performance and budget systems to ongoing spending reviews.

Denmark and the Netherlands have moved to the fore as international exemplars not only because they have steadily undertaken reviews over four decades, but because they have interesting oversight, capabilities, and repertoires, including more transparency in the final reports. Denmark instituted a spending-review regime in the 1980s which has since persisted. Candidates for “special studies” on particular topics get identified by the Minister of Finance and then approved by the government's Cabinet Economic Coordination Committee in February each year. The reviews can variously focus on programs administered by a department or on horizontal programs spanning departments, with a view to increase efficiency and effectiveness. The reviews are undertaken by working groups with officials from the Ministry of Finance, pertinent departments, and outside experts, with coordinating responsibility taken up by either the Ministry of Finance or a department. Their reports are submitted each June to feed into policy and budget deliberations. Likewise, the Netherlands commissions spending reviews annually, but these can vary in number and focus, including programs delivered by one or more departments. The working groups for each review are coordinated by a dedicated Bureau of Strategic Analysis, and the terms of reference and final reports are published. Interestingly, as was the case following the Global Financial Crisis, this “targeted” approach can be scaled up to a fully comprehensive review.

Figure 2 also shows that many jurisdictions carry out spending reviews episodically, usually responding to significant fiscal challenges like the growing deficits of the 1980s, the Global Financial Crisis, and the COVID-19 pandemic, or perhaps following the arrival of a newly elected government with different fiscal and expenditure priorities. Several large jurisdictions—the United Kingdom, France, Spain, and Canada—have relied on episodic comprehensive reviews, which require considerable effort and strong backing from the elected government of the day. Indeed, Ireland offers the example of how the Global Financial Crisis revealed weaknesses in its fiscal policy and budgetary institutions, leading not only to a comprehensive spending review in 2009 but reform of how the government ought to approach budgeting and reviews. The Irish government has since initiated regular (but not annual) rounds of comprehensive reviews which involve line ministries, external experts, and the publication of review reports once budgets are released. Doherty and Sayegh's (2022) diagram notes that all of the jurisdictions launching comprehensive spending reviews were “bottom-up” or “joint” in character, meaning that departments were heavily relied on to undertake analysis of programs and to identify options for consideration by governments, with coordination of the overall process by central agencies. This makes sense, of course, because reviewing all programs across government would overwhelm central agencies. Some governments—like the United Kingdom—have shown over the years that they have repertoires for creating central task forces for this

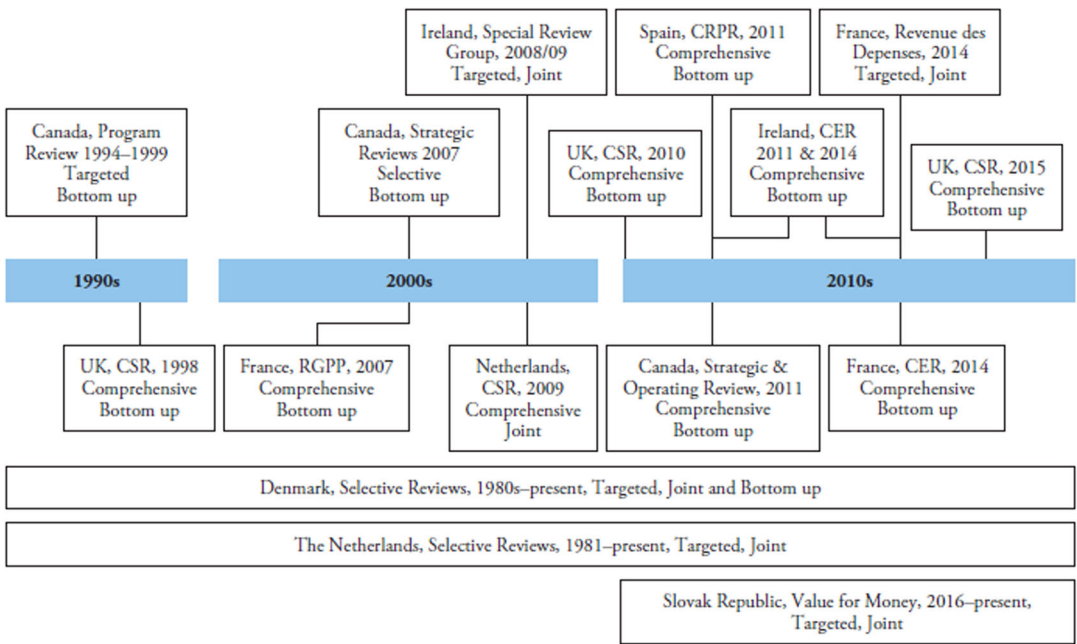


FIGURE 1 Evolution of Spending Reviews in OECD Countries. Image from Doherty and Sayegh, 2022, 4.

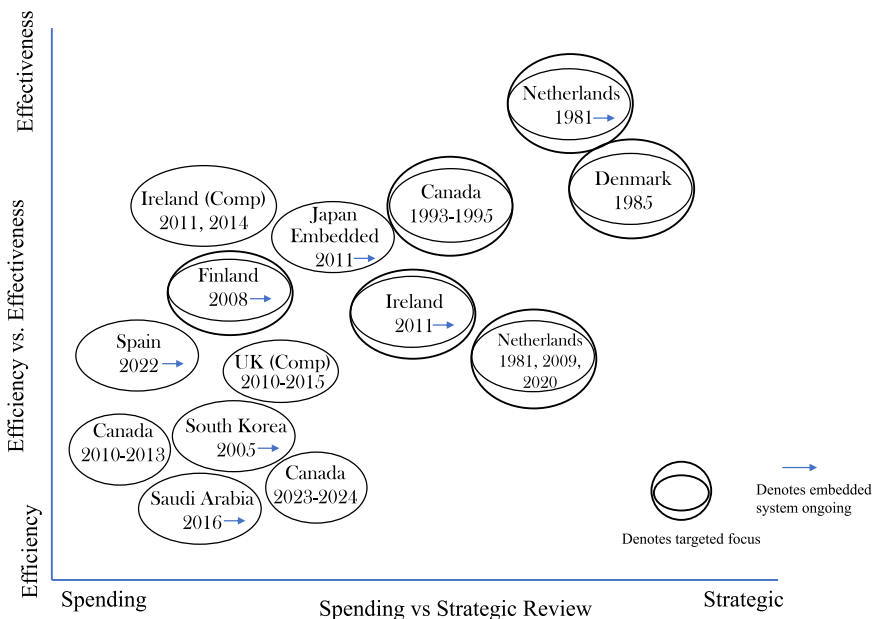


FIGURE 2 Map of Country Experience for Spending and Strategic Reviews.

purpose, where central-agency capacities are rapidly expanded by drawing in a combination of civil service high-flyers, consultants, and university experts to review department submissions.

Four other jurisdictions are worthy of note. Two—Japan and South Korea—review all programs every year, with the reviews undertaken by departments, but the reviews and their

findings are nested within larger budgeting or performance regimes. In both cases the reviews are driven by central budget targets. In the case of South Korea, departments rank programs and can reallocate savings to new priorities based on their reviews. Japan's Administrative Project Review involves an annual assessment of 5000 programs, but a smaller group of programs are selected by the Headquarters for the Promotion of Administrative Reform in the Cabinet Secretariat for in-depth review, which are undertaken by officials and external experts, and involve public meetings. Spain's federal Council of Ministers initiates strategic reviews of programs involving national, regional, and municipal governments, which are coordinated by the Independent Authority for Fiscal Responsibility and rely heavily on benchmarking and external experts, feeding into the national budget. Finally, Finnish spending reviews previously focused on meeting spending targets after the Global Financial Crisis but, in the wake of the COVID-19 pandemic, the Russian invasion of Ukraine, and worry about climate-change impacts, the most recent review identified forward-looking investments and reforms to address these challenges and involved public consultations.

The examples from other jurisdictions highlight additional possibilities for design considerations: spending reviews can be *more open* (in the sense of involving external experts and public consultations), *more forward-looking* (as opposed to focusing on lowering costs, efficiencies or shorter-term reallocations), could venture reviews in sectors *across levels of government*, and might develop *standing review capabilities and repertoires*. Figure 2 illustrates how Canadian spending and strategic reviews map against efficiency versus effectiveness orientations, comprehensive versus targeted designs, and more spending as opposed to strategic reviews, and how they compare to other jurisdictions. As Curran (2016) observed, Canada's experience with spending and strategic reviews has "thus far been one of ad hoc, one-off government-wide exercises conducted within extremely short timeframes, often in response to external pressures." Reviews are most effective when they are regular and systematic, as in countries such as Australia and the Netherlands. The OECD suggests that with such embedded systems, spending reviews can achieve more lasting success with less disruption to necessary programs and services (OECD, 2019).

## TRUDEAU GOVERNMENT SPENDING REVIEW (2023–202?): AN EARLY APPRAISAL

Given unprecedented spending in response to public health, economic and social pressures brought about by the COVID-19 pandemic, budget deficits increased significantly. Between 2019 and 2022, the federal net debt-to-GDP ratio increased from 29.8 percent to 47.5 percent (Finance Canada, 2021). The Trudeau government announced in its 2021 Economic and Fiscal Update that it would begin efforts to balance its budget by 2026–27, targeting a deficit of 0.4 percent of GDP and a net debt-to-GDP ratio of 44 percent. In Budget 2022, promises were made to "[grow] our economy and to make life more comfortable for Canadians," but few details were provided on how this promise would be achieved.

Budget 2023 announced that it would introduce "cross-government program effectiveness" (i.e., across government departments and agencies) reviews to be led by the President of the Treasury Board (Canada, 2023, p. 184). Reviews are to be carried out in phases with the first set of reviews focused on skills training and youth programming. Elsewhere, government spending will be reduced by: reducing outlays on consulting and other professional services and public service travel by 15 percent resulting in savings of \$7.1B over 5 years, and \$1.7B ongoing after 2028; phasing in department and agency spending cuts of 3 percent by 2026–27 amounting to

savings of \$7B over 4 years and \$2.4B in savings after 2028; and making cuts to federal Crown corporations of \$1.3B over 4 years and \$450 M in savings after 2028 (Canada, 2023, pp. 183–4).

The 2023 budget promises to cut spending by \$15.4B over 5 years beginning in 2023–24, but further announced \$43B in net new spending over 6 years in such programs as national dental care, housing, infrastructure, health, green technologies (tax credits), and alleviating inflationary pressures on families. However, external pressures are intensifying in areas such as national defence, where NATO is demanding Canada respect its budgetary commitment of 2 percent of GDP despite increasing its national defence budget by \$8B in Budget 2022, and the Trudeau government pledged \$46.2B in new funding to provinces to repair a strained healthcare system (Shakil & Paperny, 2023). No details have been shared on how the reviews will be undertaken.

What is one to make of these developments? Budget 2022 follows the general trajectory of other countries: governments are pressured to spend in an ever-wider range of policy areas in the aftermath of the pandemic, while also adhering to an associated need for long-term fiscal consolidation (Robinson, 2020, p. 3). This suggests that governments are seeking ways to amend how public finances are managed, particularly in federal countries where pandemic programming was largely shared with lower orders of government, as happened in Canada with provincial and territorial governments. It also means that jurisdictions will want to exercise greater control over aggregate (federal) spending against policy priorities and re-allocate funding within the aggregate. For Robinson (2022), this has two important implications on budget decision-making: 1) exercising greater control and restraint over baseline expenditures and heightening strategic discipline on new spending decisions; and 2) greater pressure from stakeholder groups and sub-governments to make “policy-driven” expenditure cuts, which means scaling back or eliminating services and benefits to individuals and perhaps to sub-national governments.

Both implications are relevant for Canada. Although our debt-to-GDP ratio certainly increased dramatically during the pandemic, Canada does not have the debt-to-GDP ratio challenge of other OECD countries (Catalano & Erbacci, 2018). The Trudeau government has relied on GDP growth to drive its budget projections, such as an 11 percent rise in nominal GDP growth projection in 2022, but it is widely expected that such growth will decline sharply to 0.9 percent in 2023 versus the Federal Economic Forecast Statement (FES) indicating a 2.6 percent increase.<sup>3</sup> Although some evidence suggests that the federal budget was crafted to maintain a debt-to-GDP target of 40 percent, the spending review announcements in Budget 2022 and 2023 do not point to thorough assessments of program spending. Because transfers to other jurisdictions and individuals are exempted, this suggests that those undertaking the reviews will be less interested in various “government tests” and more interested in reducing expenditures, which is different from an exercise that takes stock of programs and whether they meet federal policy priorities. There is significant room for developing deeper reviews that increase program savings well beyond the estimated \$12.8B promised in Budget 2023.

Few details about the design of the spending reviews were available at the time of writing in mid-May 2023. However, we suggest the strategic reviews will be a new experience for many advisors: officials familiar with previous austerity exercises have likely retired or left the Public Service, leaving a cadre of more recently promoted public servants, more familiar with the Harper government reviews. The savings targets for those latter reviews were modest compared to the Mulroney and Chrétien reviews, nor was their scope as comprehensive. It is also unclear whether the recent experience of other OECD jurisdictions has been closely examined or acknowledged, nor if plans for assembling pertinent streams of information (e.g., evaluations,



audits, performance data, user data), and analytic capacity for thorough reviews have been developed. The reviews will proceed under the aegis of Treasury Board Secretariat officials to design and direct the process, but given the capacity issues and time constraints, external consultants might be retained (including former public servants), notwithstanding public pressure to reduce reliance on consultants (May, 2023). Finally, political leaders have not indicated that spending reviews are a top priority nor that they will directly participate in the review.<sup>4</sup>

Accordingly, the review of program spending will likely be sporadic, untargeted, and lead to across-the-board cuts to achieve the 3% reduction. Our view is that public officials would prefer a stock-take of programs and services against the policy priorities of departments and agencies or those set by cabinet (Shepherd, 2022). It would also be an opportunity to determine if some programs could be significantly reformed, consolidated or abandoned given the COVID-19 experience and positioned in a way that is forward-looking (Shepherd et al., 2022). Robinson (2022) argues that fiscal consolidation in federations should involve consultation with sub-national governments (provincial, territorial and municipal governments) and other stakeholder groups and communities, including Indigenous organizations and governments. Opening up reviews for stakeholder input might be daunting to the federal government from a political perspective, but such consultations occurred in advance of the Program Review, which created room for manoeuvre for the then Minister of Finance (Lindquist, 1994). Conversely, citizens across the political spectrum may share the value of fiscal prudence, in varying degree, which one would suppose would receive more symbolic commitment from the government—that greater attention has not been paid suggests a disconnect with taxpayers and citizens (Parkinson, 2023).

The federal government is sticking with repertoires of the most recent reviews, closing off the exercise to all but internal actors. However, the post-COVID-19 environment, growing pressure on the federal budget, and new international order suggests that debate over how to align policies and programs with a “national” public discussion is warranted.

## **CONCLUSION: STRENGTHENING CANADIAN SPENDING REVIEWS AND BROADER REFORMS**

This article has sought to locate the experience of Canadian governments with spending reviews with the range of international practice. We have argued that there has emerged over the years a “Canadian style” for undertaking spending reviews, with the latest reviews announced by the Trudeau government reflecting those of the Harper government. More generally, Canadian governments have opted for episodic reviews—some comprehensive, others more targeted—when political leaders are prepared to support and lead such reviews, but this comes at the cost of not having developed strong repertoires and stable, consistent, and ongoing capabilities in central agencies and departments for launching and carrying them out. This makes it more difficult for public servants to know what information to assemble and how the reviews will proceed, raising the potential for cruder, less-informed decisions that do not take full advantage of performance management and other streams of data across departments and agencies. Moreover, in contrast to many jurisdictions, there is little upstream or downstream transparency in sharing the analysis, findings, and recommendations of reviews, and little in the way of public and expert input along the way.

This is a propitious time for Canadian governments to insinuate more regular and systematic reviews. However, this will require engagement, greater transparency, and new repertoires and shrewd thinking about how to efficiently draw on internal information generated by the public service and external expertise. Determining “comprehensive” versus “targeted” reviews remains an important design question. Ministers, central agencies, and departments/agencies will have to be committed to the exercise, which could mean significant investment of resources the more comprehensive the design. It also means that any design will have to be carefully monitored and accepted by senior department/agency management, otherwise it risks being disconnected leading to unsubstantial recommendations or decisions. *Accordingly, there is a strong argument for instituting selective reviews, building momentum, ensuring ongoing capacity, and developing a degree of acceptance and demand for such reviews.* Recent international experience, particularly the Danish and Dutch examples, suggest that governments do not have to opt for one approach or the other. It is more important to commit to a program of annual reviews and then, depending on the appetite, purpose, and stage in a government mandate, determine how comprehensive or targeted the set of reviews might be in each budget cycle; and whether the focus should be on cuts, reallocation or transformation and investments to address future challenges (Robinson, 2020). The upside is that the government and public service would always be exercising its “spending review muscles,” building expertise and capacity at the centre and in departments/agencies, and developing institutional memory so essential for ensuring that reviews are as productive and relevant as possible.

The design of the Trudeau government’s 2022–2024 spending reviews relies on repertoires similar to those employed the Harper government spending reviews: closely held by the government, reliance on internal expertise, perhaps supplemented by external finance and audit consultants; unilateral or federal-centric in the jurisdictional sense; and little clarity or transparency about focus and methods. The advantage of this approach is that it economizes on the efforts required by central agencies and departments, avoids creating larger secretariats, and does not create opportunities for criticism of analysis and findings by external experts, other jurisdictions, and stakeholder groups. The disadvantage is that it will not take advantage of broader input from other levels of government and experts, misses the opportunity to educate the public about policy challenges and the difficult choices which need to be made (especially where cuts and reallocation might be necessary to position the country well to meet future challenges), and eschews the possibility of building public support for change, even in these fractured times (Shepherd et al., 2022).

Our view is that the imperatives informing the undertaking of spending and strategic reviews has shifted considerably from the Harper to the Trudeau era. The public and many commentators are increasingly seeking evidence that current spending is efficient and effective, and that recent investments and commitments for new national programs are complemented by tight expenditure management. We also propose that a more substantial spending review would provide an opportunity to show how departments and agencies responded to the COVID-19 crisis, what was learned, what programs could be dispensed with or modified, and, looking forward, what medium-to-long-term challenges await in every sector. This suggests that a more transparent, forward-looking, and comprehensive spending review could have been advisable over the last year, perhaps leaning more towards the scope of the 1984–86 and 1994–96 spending reviews. However, such reviews not only need strong ministerial support and central coordinating capacity but would also be ripe for critical commentary in today’s social media environment. Somewhat more comprehensive reviews would have to be designed and implemented in a disciplined way, and perhaps sequenced. Even with differing public and

Opposition views on the best way forward, this would generate more awareness of the policy challenges and trade-offs confronting governments and create greater maneuverability for the government to adopt reasonable, forward-looking policies.

Instituting more regular and systematic reviews raises other more fundamental questions and possibilities for reforming how the Government of Canada works. Developing regular, systematic reviews would better inform transition advice for parties vying to form the next government and mandate planning for new governments. There is an urgent need to efficiently join up disparate streams of financial and performance information, results reporting, evaluation, and audit generated by departments and agencies to inform reviews, which too often is disconnected from time-sensitive, forward-looking strategic reviews. Moreover, better and more accessible information could be provided on how departments and their programs work, including clear information on the structure, inputs, and activities of departments and agencies. We have also broached the notion that the federal government could more systematically and openly proceed with spending and strategic reviews that invite cross-government, expert, and public input in a timely way. This may seem an ambitious agenda, but addressing complicated policy challenges and rapidly changing environments requires adopting new repertoires and capabilities in government, and indeed, building a new governance culture that builds on the collaboration hard-fought during the pandemic. How to pursue such reform deserves sustained exploration, but we believe that instituting a new and dynamic regime of spending reviews would be an important place to start.

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## ENDNOTES

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- <sup>2</sup> The committee included the Minister of Finance, the President of the Treasury Board, the chairs of the Economic and Social Policy committees of cabinet, and other regional ministers. It was chaired by the Minister for Public Service Renewal, which allowed the Minister of Finance Paul Martin more time to meet with external stakeholders.
- <sup>3</sup> Between 2022 and 2027, nominal GDP growth is expected to average 4.6 percent versus the FES forecast of 5 percent. Consequently, budgetary revenues continue to be forecast downward (OECD, 2023; Preston et al., 2023). Such projections suggest that, at the very least, new government spending will have to be carefully managed to ensure the federal debt-to-GDP ratio remains at or below 40 percent. The majority of deficit increases can be attributed to: a one-time “grocery rebate,” which amounts to doubling the GST tax credit (i.e., \$2.5B in 2023 tax year); a national dental care program for low and middle income families (i.e., approximately \$13B over 5 years, and \$4.4B ongoing); and approximately \$21B overall in net new spending to support clean energy transition over 5 years to support clean electricity, smart renewables, clean technology manufacturing, clean hydrogen investments, and expanding carbon capture, utilization and storage (Canada, 2023, pp. 183–4).

- <sup>4</sup> This stands in contrast to the strong public and internal support of Prime Minister Chrétien for the 1994–1996 Program Review. Likewise, the success of “deliverology” in the second UK Blair government hinged on the active support and regular direct reporting to the Prime Minister (Barber, 2008; Lindquist, 2016; May, 2019).

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