

SGI Sustainable Governance
Indicators 2009

Canada report



Executive summary

The Canadian political system is characterized by the combination of Westminster-style democracy and a distinct type of federalism commonly referred to as interstate federalism. By and large, this combination has proven effective in that it adequately responds to needs arising from a complex political environment marked by Canada's multicultural society and significant sociocultural, linguistic and regional-economic cleavages. As a result, Canada is deservedly viewed throughout the world as being a well-governed and wealthy democracy that has achieved a world-renowned quality of life. International comparisons rank Canada highly in the areas of governance, economic performance and social tolerance.

Canada faces many challenges as emerging economic powers are transforming the global economy, competition on world markets is increasing, and its own demographics are changing. These challenges include environmental issues, low-productivity growth, aboriginal poverty and poor educational attainment levels, a lack of competition within the country, integrating immigrants into the labor force and health care reform. Despite these challenges, Canada's flexible economy and tolerant society have taken advantage of the changing global economy. For example, the national economy has benefited from the increased demand for raw materials in emerging economies, such as China.

Canadian reforms have historically been small and orderly rather than large and controversial. This most likely results from Canada's traditionally stable economic and social conditions. In terms of the institutional framework for the period under review, the most striking observation is arguably the prevalence of single-party minority governments. Since 2004, neither the Liberal Party, which has openly conceived of itself as the "natural governing party," nor the Conservatives, have been able to gather enough parliamentary seats to create a majority government. From a historical perspective, however, intervals of consecutive minority governments are not uncommon in Canada. Moreover (and somewhat paradoxically), these minority governments do not by any means result in political deadlock and stalemate. In fact, Canada's universal health system and the Canada Pension Plan were both born out of minority governments.

Reforms during the observation period were preceded by the substantial macroeconomic and fiscal reform efforts of the Liberal Party majority governments between 1993 and 2004. Driven by an ambitious agenda, these Liberal majority governments primarily focused on eliminating deficits and debt reduction. In an impressive effort, within two years (1995 – 1997), the government turned an ever-increasing deficit into steadily growing surpluses.

The Liberal agenda in the post-deficit era was strongly committed to sustaining fiscal prudence and, by the same token, making use of its growing fiscal leeway in order to fix several problems. Most of the more recent reforms were designed to moderate and accommodate the “politics of pain” that had originated as a result of the 1995/1996 turn to fiscal restraint. In the period between January 1, 2005 and March 31, 2007, there have been some significant reforms. Most notably, through its Civil Marriage Act passed in June 2005, Canada became the fourth nation to legalize same-sex marriage.

From June 2004 to January 2006, Canada was governed by a Liberal party minority government that was not as effective as previous majority governments. This was partly due to the fact that the Parliament, rather than by the Liberal party leadership, controlled the legislative agenda. Moreover, the Liberal government did implement environmental reforms in response to growing international pressures to curb carbon emissions and increase environmental consciousness. In November 2005, the Liberal party was defeated in a no-confidence vote. It subsequently lost power in the January 2006 federal election and was replaced with a Conservative party minority government.

The Conservative party’s election platform consisted of a clear and focused agenda containing five key policy priorities: taxes, health care, crime, child care and accountability. In contrast to the Liberal party’s broad and numerous policy objectives, the Conservative government provided a focused – though not particularly ambitious – agenda.

So far, the effectiveness of the Conservative policies has been only mediocre. First, the Conservative government listed lowering taxes for working Canadians as a key priority. Following the 2006 election, the government cut the Goods and Services Tax (GST) by one percentage point – from 7 percent to 6 percent, and it plans to further reduce it to 5 percent.

Second, the new government pledged to deliver health care for Canadians in a more timely manner by reducing waiting times. The government has secured agreements from the provinces and territories to establish Patient Wait-Time

Guarantees by 2010. Nevertheless, thus far, there have been no recorded reductions in waiting times.

Third, the Conservative government made protecting Canadian families and communities a priority in the face of an apparent increase in gun-, gang- and drug-related violence. To do so, the government increased the number of Royal Canadian Mounted Police (RCMP) officers across the country and allocated funds to filling vacancies and hiring additional federal prosecutors. Whether this will have any effect at all on the crime rate – and, if so, how much – is still unclear.

Fourth, the Conservative government promised to support the child care choices of parents. It has created the new Universal Child Care Plan, which provides direct, monthly funding to parents of children less than six years old, so as to make it possible for them to choose the child care option they deem most appropriate. This includes the option of one parent's staying at home to care for the children.

Finally, the government has committed itself to increasing government accountability and, following the 2006 election, Parliament passed the Federal Accountability Act. The act aims to increase the government's transparency to Canadians, strengthen the independence of auditing and review functions, and provide whistle-blowers with more-effective protection.

Canada faces various challenges to implementing reform. In general, there are no systemic impediments that prevent the government from implementing its policies. If it is a minority government, however, as was the case under the period under review, its capacity to implement policy reforms is limited. A minority government implicitly gives small political parties a disproportionate amount of influence on government decision-making. Moreover, Parliament is less likely to pass any controversial or costly reforms.

Canada's system of government is the most decentralized federation in the world. In this context, the federal government faces additional challenges when implementing reform in areas of joint federal-provincial/territorial jurisdiction or provincial/territorial jurisdiction. Federal, provincial and territorial governments must negotiate issues related to funding and the establishment of national standards for public services, such as health care and education.

In the area of environmental policy, Canada has not made the tough choices that the international community expects from it. This is most evident in Canada's slow adoption of environmental policies aimed at meeting international standards regarding climate change and emission targets. Among OECD countries, Canada is one of the most intense emitters of CO₂, and it

does not appear to be making any significant reductions. Moreover, Canada's current government is reluctant to support the Kyoto Protocol, which demands hard caps on emission levels. With the exploitation of the oil sands in Alberta, there are political trade-offs that must be considered when implementing a new environmental policy.

Since the Conservative minority government under Stephen Harper came to power, military issues have dominated Canada's public policy agenda. Harper has made military spending a priority and has given every indication that Canada will be sending troops to fight in Afghanistan for as long as it is necessary. Harper has also tried to bring Canada's foreign policy into closer alignment with U.S. interests.

On the international economic front, the rising value of the Canadian dollar in relation to the U.S. currency has had important consequences. In light of the rise in oil prices and Canada's vast oil and gas reserves in western Canada and off the eastern coast, the Canadian dollar has been recast as a petrodollar.

During the period under review, the Canadian dollar has gained 20 cents in value to reach parity with the U.S. dollar (September 2007). The country's manufacturing sector is trying to adjust as best it can to compete with its U.S. counterparts, and the Quebec government, for example, recently announced tax cuts to assist Quebec's manufacturers to remain competitive with U.S. manufacturers. The federal government, meanwhile, reports that it is keeping a close watch on developments and has not ruled out the possibility of intervening.

Strategic Outlook

Both economic and social developments in Canada look promising. Major reforms undertaken during the second half of the 1990s have rendered many areas of Canada's economic, fiscal and social policies more sustainable. The significance of these efforts is even more impressive when contrasted with the previous period of growing debts and deficits during the 1970s and 1980s that peaked in the early 1990s.

Although Canada's rapid pace of reform has served the country well in terms of facilitating accountability, transparency and innovative policies, it has precluded the predictability that accompanies policies and strategies anchored in long-term goals. Not surprisingly, many policy experts – whether in

reference to fiscal federalism, foreign policy or Canada's approach to research and innovation – have complained about the dearth of mission statements and high degree of unilateralism in government. Canada must address two structural problems, namely the structure of its political institutions and the dominance of the U.S. economy, if it is to expand the problem-solving capacity of its political system.

Institutional reforms should focus on enhancing the Senate's legitimacy and improving the electoral system if the national government is to improve its capacity to accommodate regional interests and perspectives. Election dates should be fixed and the political, cultural and social misrepresentation that results from the first-past-the-post voting system must be addressed.

Regional tensions and the failure of Canada's political institutions to deal effectively with them pose the greatest economic and socioeconomic challenges to the country. As former Prime Minister MacKenzie King once observed, some countries have too much history, but Canada has too much geography. Whether it be the maritime provinces of New Brunswick and Nova Scotia, Quebec, or the four western provinces, there is a long tradition of provinces challenging what they see as the dominance of central Canadian interests at their expense. A reformed Senate based on the Australian model (i.e., with elected and equal members) offers considerable promise. However, both Ontario and Quebec would have to be brought on board, and neither have shown much interest in supporting such an initiative.

Canada's close economic and (therefore) political ties with the United States also pose important challenges, as they are critical to the country's future but inhibit its reform capacity. The North American Free Trade Agreement (NAFTA), which has integrated the Canadian and U.S. economies all the more tightly in its 15 years of existence, promotes north-south trade whereas the Canadian federation was built on east-west trade. In the past, east-west trade patterns and national economic policies favored the two central provinces, which explains why much of Canada's manufacturing sector is located in central Canada. It also explains why the federal government has introduced a number of transfer payment schemes to the provinces, including the equalization program, which provides annual payments to slow-growth provinces to ensure an acceptable level of public services without having to impose an unacceptable level of taxation. As Canadian producers increasingly turn south to American markets, the wealthier provinces have begun question whether federal transfer payments should continue at their current levels. NAFTA and other forces have thus fueled a "me first" attitude among Canadian regions, as they try to compete with U.S. regions rather than against one

another.

NAFTA is also leading some Canadian policymakers to ask whether Canada and the United States should share a common currency, whether Canada should reform some of its social services programs, and whether NAFTA should be expanded to include Latin American countries. The free trade agreement, in turn, is pushing Canadian manufacturers and producers to focus on productivity improvements so as to keep pace with their American counterparts.

Thus, the structure of Canada's political institutions and the U.S. economy constitute blockades to reform in the country. Canada will need to find ways to accommodate regional interests and perspectives more effectively if it is to invigorate national initiatives and programs, and if the regions are to reach a sustainable peace with one another or with the national government. Canada's government clearly recognizes this "blockade," which explains why it has put forward legislation to reform the Canadian Senate.

Status Index

I. Status of democracy

Electoral process

Fair electoral process

Score: 10

In Canada, the right to be a candidate in an election is protected in the Constitution by the Canadian Charter of Rights and Freedoms. The rules for becoming a candidate and registering a political party in Canada can be considered fair. Indeed, recent changes to the electoral law have increased the system's fairness by imposing stricter rules on contributions and expenses as well as by giving more generous public funding to all parties that receive at least 2 percent of the vote.

To be a candidate, one needs to be a Canadian citizen at least 18 years of age not currently imprisoned in a correctional institution. There are also other minor restrictions, such as that neither members of a provincial legislature nor election officers may run for office in a federal election. For the 39th general election held in January 2006, there were 15 registered parties, three more than there had been at the election held two years previous. In general, the office of the Commissioner of Canada Elections has far-reaching jurisdiction so that it may deal with violations of or non-compliance with the Canada Elections Act.

Fair electoral campaign

Score: 9

Political parties in Canada have equal opportunities of access to the media and other means of communication. Canadian law obliges all television and radio broadcasters to make available for purchase 6.5 hours of time for political advertising at the lowest applicable rate over the course of the electoral period. Electronic broadcasters are required to distribute paid time according to a formula based on the results of the last election and the number of candidates running in the current election. The allocation of free advertising time is also determined by the distribution of paid time. Every broadcaster is obligated to give at least as much free broadcasting time as the total amount of time they did

in the previous election, and every party has the right to a total of at least two minutes of free broadcast time.

More recently, Elections Canada, an independent, nonpartisan agency that organizes and administers most aspects of the electoral system (including referendums) and reports directly to Parliament, modified its approach by first giving out one-third of the total time equally to all registered parties. The remaining two-thirds are distributed according to the dispositions discussed above. Furthermore, parties are now allowed to buy time in addition to that allocated to them, as long as the broadcaster agrees to sell it and the party does not exceed its spending limit. There is no legal obligation for print media to provide free advertising space to political parties.

*Inclusive
electoral process
Score: 10*

The Canadian Charter of Rights and Freedoms provides for a constitutional guarantee of the universal right to vote in Canada. The process for electoral registering in Canada gives all citizens the opportunity to exercise their right of participation in national elections. Virtually every citizen 18 years old and over can vote once they have registered to do so. The registering process is straightforward, and no discrimination has been observed. Since 1997, Elections Canada has maintained a permanent National Register of Electors. Agreements with other government departments are made to obtain information automatically on changes in a person's status or address. The improvement of accessibility to the voting procedure, for example, as regards level access of polling stations or bilingual services of election officers at polling stations, is a major concern in Elections Canada's work. During the 39th general election of 2006, only 0.2 percent of all polling sites in use did not provide level access.

Access to information

*Media freedom
Score: 9*

The Canadian Charter of Rights and Freedoms entrenches the freedom of the press and other communications media as a fundamental freedom. Freedom of the media from the government is not a big issue in Canada. Privately owned media are entirely independent and are not subject to political intervention. The print media are not subject to restrictions, except those regarding libel and hatred laws. Electronic media operate under the regulation of the Canadian Radio-television and Telecommunications Commission (CRTC). As an independent public authority that regulates and supervises all major aspects of the Canadian broadcasting system, the CRTC is basically an element within the regulatory regime that – to a certain extent – can shield the broadcasting system from governmental influence. In theory, the publicly owned electronic media – most notably the Canadian Broadcasting Corporation (CBC), which operates

both television and radio stations – could be subject to political intervention. Nevertheless, in practice, there has been no major government intervention in the history of the CBC.

Media pluralism

Score: 7

At the national level, Canada's media ownership structure ensures a plurality of opinions. There are at least four or five major private media companies, including Quebecor, Canwest, CTVglobemedia and Rogers, which complement the public services offered by the CBC. The CRTC's tendency to favor small and local media when it licenses new radio and television stations has had a positive impact on the overall level of media plurality. Things look slightly different at the provincial level, however, where a comparatively high level of ownership concentration undermines media plurality. This is partly due to the rather limited size of markets resulting from broad swaths of sparsely populated areas.

*Access to
government
information*

Score: 8

The 1983 Access to Information Act (ATIA) recognizes the right of Canadian citizens and permanent residents to apply for and obtain records from government institutions. The act contains a guarantee that materials will be released within 30 days after the request has been made. Information can be restricted for several reasons, such as when the information: was obtained in confidence from a foreign government, international organization, provincial, municipal or regional government; is sensitive for reasons related to national defense, legal investigations or trade secrets; includes personal information protected by the Privacy Act; or is designated "cabinet confidences." However, Subsection 2(1) of the act states that decisions regarding the disclosure of government documents should be reviewed independently of the government. In addition to the federal act, each province has its own freedom of information and privacy act, which applies to provincial and municipal governments.

The position of an "access to information commissioner" was created in 1983 along with the ATIA. The commissioner acts effectively as an ombudsman, investigating complaints by those who feel they have been denied rights under the ATIA. The commissioner wins the majority of the cases against the federal government, which suggests that the federal government occasionally aims to delay the release of controversial information. While the commissioner must investigate complaints, can issue recommendations, and can file a case with the Supreme Court of Canada, he or she cannot enforce binding orders.

Civil rights

Civil rights protection

Score: 10

The Canadian Charter of Rights and Freedoms and the Canadian Human Rights Act together provide for an effective protection of all fundamental civil rights. The charter protects everyone in Canada regardless of whether they are a citizen, a permanent resident or a recent immigrant. Some rights (e.g., the right to vote) are reserved for citizens. Anyone who feels that their civil rights have been infringed upon may apply to a court of law to seek a remedy. Thus, Canada has a fairly positive record of effectively protecting civil rights. Most notably, when compared to other countries, Canada has made positive advances in protecting the rights of lesbian, gay, bisexual and transgender individuals.

According to the Freedom in the World survey, Canada exhibits the highest scores among electoral democracies in the categories of respect for civil liberties, the rule of law and individual rights. Nevertheless, some international organizations, such as Amnesty International, have criticized Canada for poorly protecting aboriginal rights and for cutting government funding allocated to groups that advocate women's rights. In addition, certain laws enacted after 9/11 have been criticized for being inconsistent with human rights standards.

Non-discrimination

Score: 9

The Canadian federal government is very committed to protecting its citizens against any form of discrimination. Most notably, Canada was one of the first countries in the world to constitutionally entrench both individual and group rights aimed at shielding disadvantaged persons and groups from discrimination. Depending on the policy area under consideration, there are a variety of measures in place meant to prevent discrimination, including affirmative action measures, special representation rights and autonomy rights.

The Canadian Human Rights Act (1985) extended the laws of Canada to protect Canadians from discriminatory practices based on race, national or ethnic origin, color, religion, age, sex, sexual orientation, marital status, family status, disability or conviction for an offense for which a pardon has been granted. The Canadian Human Rights Commission (CHRC) is empowered by the Canadian Human Rights Act and the Employment Equity Act, which ensures equal access to employment for women, aboriginal peoples, persons with disabilities and members of visible minorities. The CHRC also investigates complaints and acts as an ombudsman for human rights in Canada.

The Supreme Court of Canada recently ruled in support of same-sex marriage, which forced Canada's government to accept it. The Employment Equity Act – which aims not only to eliminate current and future barriers to employment for women, persons with disabilities, aboriginal people and members of visible

minorities, but also to remedy past discrimination and improve access and distribution throughout all occupations and at all levels – is the umbrella under which employment programs, including elements of affirmative action, are developed. Such programs are permitted by the Canadian Charter of Rights and Freedom and by the various human right acts at both the federal and provincial levels.

Rule of law

Legal certainty

Score: 8

Canada has a sophisticated legal system whose rulings are generally predictable and consistent. Legal regulations do not change often and, despite being a bit complex for the average citizen, they are consistent and transparent. The government and its bureaucracy act predictably and follow legal procedures when appropriate. One could argue that there are some small impediments to legal certainty. While governments do comply with the rule of law, there is nevertheless a certain scope for unexpected – but by no means illegal – behavior. This is mainly due to the ambivalence the Constitution has regarding certain aspects of federal jurisdictions. Among other things, it does not spell out the exact limits of federal spending powers.

Another well-known, small impediment is the “notwithstanding clause,” which allows federal and provincial legislatures to declare part of a law out of the reach of judicial review for a period of five years, even though it might contradict certain sections of the Canadian Charter of Rights and Freedoms. Although this clause can be re-enacted indefinitely, it is rarely used in practices, and its five-year expiry date imposes a strong democratic check on its use.

Judicial review

Score: 9

The Constitution of Canada guarantees that the judiciary is independent in security of tenure, security of financial remuneration and institutional administration. In addition to being independent, the courts have the authority to limit executive action. During the drafting of a proposed bill, the Department of Justice reviews its legality and constitutionality. The deputy minister of justice reviews the bill to ensure that it meets the requirements of the Constitution, including the Charter of Rights and Freedoms. If the executive is aware that a proposed bill will be deemed unconstitutional, it will generally not support it.

For example, in 2003, prior to submitting the Civil Marriage Act (Bill C-38), the prime minister sought the advice of the Supreme Court of Canada on whether limiting marriage to heterosexual couples would be unconstitutional. The court ruled that it would be unconstitutional, so the legislation was not

*Corruption
prevention
Score: 8*

submitted. Even though Canada's legislature does not generally support bills deemed unconstitutional, it does have the capacity to do so. Moreover, the legislature could technically curtail judicial review by using the notwithstanding clause mentioned above.

In Canada, there are many mechanisms that provide strong disincentives for public officeholders to abuse their positions for their private interests. The Access to Information Act provides transparency, the Office of the Auditor General provides an effective and thorough audit of government spending, and party financing comes primarily either from public sources or from private individuals (with there being strict contribution limits for businesses and interests groups). Moreover, ministers and senior public servants are required to post quarterly on their respective departmental Web sites all travel expenses incurred in the course of program-related business.

In 2006, the current minority government of Prime Minister Stephen Harper introduced the Federal Accountability Act, which contained measures to improve conflict-of-interest rules, restrictions on election financing and measures respecting administrative transparency, oversight and accountability. The new legislation provides protection to civil servants wishing to "blow the whistle" on wrongdoing inside the government and imposes new restrictions on public officeholders wishing to become lobbyists.

The legislation also banned so-called secret donations to political parties, strengthened the role of Canada's ethics commissioner, introduced new and more-demanding requirements on government procurements, and also strengthened auditing and accountability within government departments by designating the department's permanent head the "accounting officer" and directing that he or she answer directly to a parliamentary committee on issues of "management within the framework of ministerial responsibility."

In 2006, the World Bank ranked Canada 12th among OECD countries for its control of corruption. In terms of Transparency International's Corruption Perceptions Index, Canada ranked 14th on a scale of 1 to 163 with 1 being the least corrupt country.

II. Economic and policy-specific performance

<i>Basic socioeconomic parameters</i>	<i>score</i>	<i>value</i>	<i>year</i>
GDP p.c.	4.79	34058 \$	2005
Potential growth	3.43	2.8 %	2008
Unemployment rate	7.25	6.3 %	2006
Labor force growth	5.7	3.1 %	2007-2008
Gini coefficient	7.39	0.302	2000
Foreign trade	2.32	-20.73	2005
Inflation rate	8.28	2.4 %	2007
Real interest rates	7.35	1.9 %	2007

A Economy and employment

Labor market policy

Score: 9

Canada displays the strongest job-creation record over the past decade of any of the Group of Seven (G-7) economies. Unemployment in Canada – which stood at 6.3 percent in 2006 and 6.1 percent in the first quarter of 2007 – is at a much lower level than it was in the 1980s and 1990s. Low unemployment rates in Canada are due to appropriate macroeconomic policies, low interest rates, a strong U.S. economy (during the period under consideration) and the recent boom in global commodity prices. The Bank of Canada's inflation-targeting strategy insures a low and stable inflation rate, which in turn provides conditions for reasonable wage expectations.

These policies have also translated into a low incidence of long-term unemployment. Only 8.7 percent of the unemployed in 2006 were in long-term unemployment, which places Canada in fifth place among OECD countries. Nevertheless, there are significant regional disparities, and the Atlantic provinces exhibit much higher unemployment rates than the other provinces.

For example, in 2006, Newfoundland had an unemployment rate of 14.8 percent compared to Alberta's 3.4-percent rate. Labor market regulations (e.g., the minimum wage, which represents about 40 percent of the average wage) are not important barriers to employment.

Enterprise policy

Score: 7

In global GDP rankings, Canada holds 11th place. However, among all countries with populations exceeding 10 million, Canada holds the second position behind the United States. Canada's excellent economic performance is generally due to the interplay of several factors, including a rich mix of industries with high potential for productivity and innovation, an efficient and investment-friendly bureaucracy, a strong resource-based economy and governments committed to fiscal prudence and soundness. Canada's private sector is well developed and does not suffer from significant bureaucratic barriers. In fact, Canada ranks second among OECD countries for the number of days needed to start a business (three) and fifth for the number of days needed to deal with licenses (77).

The current Conservative government of Prime Minister Stephen Harper follows in the steps of the previous Liberal government in making competitiveness and productivity the growth key policy priorities. However, several problems lurk beneath the surface. One of the most striking problems continues to be Canada's so-called "productivity gap." At 1.1 percent, Canada's labor-productivity growth rate between 2000 and 2006 was much weaker than that of the United States during the same period (3.0 percent). It was also a significant slowdown from the growth rate experienced in the late 1990s. In terms of R&D investment – and despite generous tax incentives – Canada is only fifth in the G-7. This is partially explained by the high level of foreign ownership and the fact that Canada is partly a resource-based economy, both of which are structural factors that diminish Canada's level of innovation and investment.

Tax policy

Score: 9

In general, Canada's tax system improves equity and provides more-than-sufficient public revenues at both the federal and provincial levels but could be improved to enhance competitiveness. Progressive personal income taxation, the most important source of government revenue, contributes to a reduction in inequality. The average tax burden increases with the level of income. In 2006,

a single person earning 67 percent of the average income paid 19.1 percent in taxes, as compared to 24.2 percent and 27.4 percent for single persons earning 100 percent and 167 percent, respectively, of the average income.

The tax burden for businesses in Canada is generally competitive. At 43 percent of gross profit, Canada's total tax rate for businesses is the 10th lowest among OECD countries. The 2006 federal budget brought a reduction in the general corporate income tax rate from 21 percent in 2007 to 19 percent in 2010 as well as the elimination of the 3-percent corporate income surtax after 2006. The federal Goods and Services Tax (GST) has also been reduced from 7 percent to 6 percent.

Some provinces are also improving the competitiveness of their tax systems. In 2007, for example, Alberta, Ontario, Manitoba and Quebec were all reducing either one or both of their corporate and capital tax rates. Canada's tax system is non-neutral in that there are large differences in rates faced by different industries. For example, small businesses benefit from lower corporate tax rates, and natural-resource-related industries also enjoy additional tax benefits. These discrepancies may arguably contribute to the development and preservation of an industrial mix that is detrimental to Canada's overall economic performance.

Taxes generate sufficient public revenues. In fact, Canada benefits from a large structural surplus that provides sufficient flexibility to gradually improve the tax system. In general, the annual surplus is used to reduce the federal debt, which is already at a relatively low level.

Budgetary policy

Score: 10

Canada's fiscal framework has been successful not only in reducing public debt but also in creating a consensus among Canadians of support for its prudent fiscal policies. The federal commitment to a balanced budget on an annual basis has yielded fiscal surpluses in nine consecutive years. This has resulted in a reduction of about 30 percentage points in the federal debt-to-GDP ratio over the last decade, from 56.3 percent in 1996 to 27.9 percent in 2006, according to the OECD. It is important to mention that all three budgets – in 2005, 2006 and 2007 – were put in place by minority governments.

In 2006, the newly elected Harper minority government vowed to address the vertical fiscal imbalance between the federal and the provincial levels. The vertical fiscal imbalance refers to the mismatch between revenues raised by each level of government, on the one hand, and its spending obligations, on the other. Whereas Liberal governments have denied the existence of such an

imbalance in the past, the Harper government has tried to restore the fiscal balance through the 2007 budget by transferring an additional CAD 39 billion over the next seven years to the provinces.

B Social affairs

Health policy

Score: 8

Canadians consider the universal character of the public health system to be an important element in societal integration and one that fosters Canadian distinctiveness vis-à-vis the United States. Health policy is a shared jurisdiction in Canada. The Canada Health Act sets out the primary framework for health policy and stipulates five criteria (public administration, comprehensiveness, universality, portability and accessibility). In order to be eligible for federal transfers, provincial health insurance schemes must comply with these five criteria. Insured health services are medically necessary hospital, physician and surgical-dental services.

Health care provision in Canada is unique in that it does not generally allow for the private provision of health care services in hospitals and clinics. Canada has universal coverage for essential health services, and there is generally a high level of public satisfaction among users of the system as well as excellent health outcomes.

Canada is first among OECD countries in terms of the percentage of its health care expenditures spent on preventive health care programs. Canada's single-payer system also allows it to have lower levels of spending on health care relative to the depth of the coverage it provides. Coverage for dental care and pharmaceuticals, however, is not as comprehensive, and in most provinces these services are privately funded and provided.

Of the three criteria – quality, inclusiveness (equity in access) and cost efficiency – the Canadian health system suffers most obviously in terms of quality. The Health Accord of September 2004, which was signed between the federal government and the provinces, aimed to restore long-term health funding and to address several major problems related to the quality of health services, most notably the reduction of long waiting times. The federal government committed itself to spend CAD 41 billion within the next 10 years in order to enlarge its financial contribution to provincial health schemes on a stable and predictable basis, to address the waiting-time problem by establishing a Patient Waiting Time Guarantee, and to improve preventive

health care spending and early diagnosis measures. In the budgets of 2006 and 2007, the Conservative successor government under Prime Minister Stephen Harper did not alter this new commitment of the federal government in health policy.

Social cohesion

Score: 7

Social policy in Canada is aimed both at reducing socioeconomic disparities and at preventing poverty. While it is relatively successful at the former, it is not as efficient at the latter, as child and aboriginal poverty remain significant policy issues. Some groups have seen significant improvement, most notably (female) single-parent families, which benefit from the Canada Child Tax Benefit and the National Child Benefit Supplement. Nevertheless, the incidence of poverty among persons under 18 was still higher in 2005 than it was in 1981. Among the 30 OECD countries, Canada ranks only 20th in terms of child poverty.

The challenge of poverty is compounded by Canada's high levels of immigration, which increase the number of low-income families. While integration programs (e.g., language courses) are provided to help newly arrived immigrants succeed in the labor market, immigrants generally earn less than other Canadians. The aboriginal population also faces poorer labor market outcomes and a much higher incidence of poverty than other Canadians.

Family policy

Score: 8

Canada has adopted a number of measures aimed at enabling women to better combine parenting with participation in the labor market. The female employment rate is high (69 percent in 2006) both from a historical perspective and an international perspective. In all Canadian jurisdictions, parents are entitled to unpaid parental leave ranging from 12 to 52 weeks. In 10 out of 12 jurisdictions, full parental leave is available to both parents. In Quebec, one of the most generous jurisdictions, the new Régime québécois d'assurance parentale (RQAP, or Quebec Parental Insurance Plan) came into effect on January 1, 2006. Under the RQAP's basic plan, both mothers and fathers benefit from non-transferable paid leave at a rate of 70 percent of average weekly income. The period for these benefits is 18 weeks for mothers and five weeks for fathers. An additional seven weeks at 70 percent pay and 25 weeks at 55 percent pay can also be shared between parents.

This system not only provides both parents with strong incentives to stay at

home after the birth of a child, but it also gives women a choice regarding whether to return to work quickly by providing parental rather than only maternity leave. Child care is another issue that has received a fair amount of attention lately in Canada.

The current government of Prime Minister Stephen Harper introduced the Universal Child Care Benefit, which provides families with CAD 100 each month for children under the age of six. However, despite repeated promises from previous governments, there is no system of universal day care. In fact, the current government is clearly against the introduction of government-supported day care programs.

In 1997, Quebec became the only province to have instituted a universal day care system. It now provides day care services for CAD 7 a day per child. Between 2002 and 2003, the proportion of children aged six months to five years who attended day care was 28 percent in Canada as a whole and 52 percent in Quebec.

Pension policy

Score: 9

Pension policy in Canada relies on three pillars: the Old Age Security program (OAS), the Canada Pension Plan (CPP) and tax expenditures for Registered Retirement Savings Plans (RRSPs) and Registered Pension Plans (RPPs). OAS is financed from the Canadian government's general tax revenues and provides monthly benefits, including a taxable pension and a nontaxable, income-tested Guaranteed Income Supplement (GIS). These benefits are adjusted quarterly to the cost of living. Contributions or premiums to the CPP, the second tier of the pension system, are based on the earnings of workers at a rate of 4.95 percent for both the employee and the employer up to the level of maximum pensionable earnings.

The CPP is a fixed-contribution rate with defined benefits, which means that the government, rather than pension beneficiaries, bears the investment-related risks. As of 2006, the CPP was on a sound financial footing, and significant changes to benefit levels or premiums are not expected in the future.

Finally, the third pillar of Canada's pension policy is made up of RRSPs and RPPs. These contributions are deductible from taxable income, thereby allowing taxpayers to defer the payable income tax. Together, these three pillars provide a good social safety net and effectively prevent poverty among senior citizens. Moreover, Canada is one of the few OECD countries for which the fiscal sustainability of the public pension system is not an issue.

C Security and integration policy

Security policy

External security

Score: 9

Taking into account its status as a mid-sized power and its well-established, international repudiation as a credible conflict mediator, Canada's external security policy is generally quite effective. A close partnership with the United States – at both the continental level and beyond – is the key to Canada's continued external security. At times, however, Canada's strong ties with the United States come into conflict with its national interests. Take, for example, the contested sovereignty claims over the Northwest Passages, which Canada considers part of its internal waters. Or, as another example, the current Harper government, which is generally more sympathetic to U.S. security policies than previous governments were, has been very assertive about the sovereignty of Canada's arctic territory.

In 2005, Canada's military expenditures represented only 1.1 percent of GDP, which is one of the OECD's lowest rates. The Conservatives made the Canadian military a top priority in their election campaign, and the Harper government accordingly made significant increases in military spending. This massive amount of defense spending includes new arctic ships, tanks, heavy-lift helicopters and airbases. Critics state that the amount of new equipment exceeds that needed by the current force of about 64,000 soldiers.

Canada's involvement in Afghanistan is its most important – and most challenging – contribution to current external security policy. Canada was the third-largest contributor to the NATO-led invasion of Afghanistan in the aftermath of 9/11 and still maintains a contingent of about 2,500 troops there, whose activities are currently concentrated in the extremely dangerous province of Kandahar. The mandate for the current military mission is scheduled to expire in 2009.

Internal security

Score: 8

A review of internal security policy must take into account the fact that policing jurisdictions are divided between both tiers of government. Although the provinces also have significant influence in this policy area, cooperation between both governmental tiers has been quite successful.

The 2007 federal budget outlines several short- and medium-term measures that indicate a stronger commitment on the part of the current Harper minority government to internal security than was the case under the Liberal predecessor governments. Some small successes – most notably, the arrest of 17 would-be

terrorists in Toronto in June 2006 – may have resulted in part from the increased spending on internal security. Nevertheless, there have been a number of civil-liberty scandals, many of which are related to this heightened level of internal security, and increases in Canada’s commitment to internal security have, in fact, come at the expense of civil liberties.

While the level of community safety and security within Canada’s largest cities (e.g., Montreal and Toronto) is undoubtedly higher compared to the situation in the United States, there has nevertheless been an increasing incidence of homicides, gang- and gun-related violence, and other crimes. In Canada as a whole, however, the rates of both violent and property crimes have fallen significantly between 1991 and 2006, with declines of 10 percent and 41 percent, respectively.

*New security
policy*

Score: 8

As is the case with internal security policy, the Conservative minority government has announced a stronger commitment to developing a “new security” agenda. It can build, however, on several measures that were already implemented under the Liberal government of former Prime Minister Paul Martin. The core of the Martin government’s approach was the 2004 introduction of the National Security Policy, the first policy of its kind in Canada. The National Security Policy is comprehensive in that it conceives of security as being a three-dimensional issue comprising the personal, national and international aspects of security.

While providing for additional funding for these pre-established measures, the Conservative Harper government has put an even stronger emphasis on defense policy and border management as major tools for responding to new security threats. The core of this new plan is the so-called “Canada First” defense plan, which aims to strengthen Canada’s ability to independently defend its national sovereignty and security.

In terms of military alliances, Canada is a member of the North American Aerospace Defense Command (NORAD), a binational (i.e., U.S. and Canadian) organization charged with providing aerospace warning and aerospace control for North America. It is also a member of NATO. Canada’s military forces often train with their U.S. counterparts and can integrate fairly well with the larger and stronger U.S. armed forces. Canada’s role in conflict prevention is less prominent today than it once was, but it still actively contributes to the UN-sponsored mission in Afghanistan, and it currently conducts operations in Haiti, Sudan and the Republic of Congo. In general, Canada is committed to multinational peacekeeping under the auspices of the United Nations.

In terms of aid and development policies, Canada does not live up to its goals. In 1969, Canada committed itself to increase foreign assistance spending to

levels equal to 0.7 percent of GNI. In 2005, however, the amount of Canada's official development assistance stood at only 0.34 percent of GNI, which was not only below its target but also much smaller than most of its European counterparts. Moreover, a large share of its funding was still tied. Finally, in 2006, Canada's tariffs on clothing (17.0 percent) continued to rank among the highest in the 30 OECD countries.

Integration policy

Score: 9

Canada has one of the world's highest per capita rates of immigration. Between 2005 and 2006, 254,400 persons – or about 0.78 percent of the population – immigrated to Canada. Immigrants to Canada can be divided into three main categories: economic immigrants, family immigrants and refugees. The level of integration differs significantly from category to category.

A key component in Canada's integration policy for economic immigrants is the federal government's Foreign Credential Recognition (FCR) program, which coordinates the actions of 14 federal departments and well as those of provincial governments. However, since the responsibility for immigration is not entirely federal, the program occasionally suffers from a lack of harmonization across provinces.

Immigrants from the family and refugee subcategories tend to have more difficulty integrating.

Nevertheless, on the whole, the economic integration of immigrants to Canada is fairly harmonious as evidenced by the fact that foreign-born citizens had a 2005 unemployment rate of only 7.3 percent and an employment rate of 68 percent. However, these figures do include previous waves of immigration, which came mostly from Europe and the United States and which consequently had an easier time integrating.

These positive figures are also partly the result of a selective immigration process, which was recently reinforced in the 2001 Immigration and Refugee Protection Act. Indeed, in 2005, Canada was the OECD country with the highest proportion of foreign-born citizens with some degree of tertiary education. However, despite the fact that the educational attainment level of new Canadian immigrants is higher on average than that of Canadian-born adults, their earnings are still well below that of their native-born counterparts.

Foreign-born individuals who have recently become citizens tend to be employed in occupations below their qualification level. However, the fact that the earnings gap between foreign-born and Canadian-born citizens significantly decreases if one focuses on those immigrants who have been in Canada for

longer than 10 years suggests that integration does eventually take place, even if not immediately so.

Annotation: Canada's score of "9" is one point above the range of country experts' highest score of "8." Canada's integration policy is equal in quality to that of countries such as Australia, New Zealand or the United States, which also received scores of "9."

D Sustainability

Environmental policy

Score: 5

Canada's environmental record is mixed. On the one hand, Canada has been a leader in the fight against chlorofluorocarbons (CFCs) and has significantly contributed to making the Montreal Protocol a success. More recently, Canada has also been a leading advocate of an aggressive phasing-out of hydrochlorofluorocarbons (HCFCs). Nevertheless, many aspects of Canada's environmental performance are deficient. The most obvious failing is Canada's poor performance in the fight against climate change.

Given the Canadian economy's strong resource-based sector (and the importance of nonrenewable resources, such as gas and oil), ambitious efforts to protect the environment very often collide with the aim of economic development and growth. The most striking example of this tension is Canada's approach to the Kyoto Protocol. Despite being one of the first countries to sign this agreement, Canada nevertheless ranked 27th out of 30 OECD countries in 2000 for the intensity of CO₂ emissions as relates to GDP.

While this may be partly explained by the resource-intense nature of Canada's economy, it should also be noted that successive governments have been either reluctant to or inept at taking strong action to minimize increases in CO₂ emissions. The current government is even less sympathetic to climate change and has even proposed abandoning the Kyoto Protocol in favor of a domestic solution.

Canada also fares poorly on other facets of environmental policy. The lack of a market mechanism for regulating water usage (and only marginal costs for additional water usage) is one of the most obvious environmental policy failures.

Research and innovation policy

Score: 7

At 1.96 percent of GDP in 2005, Canada's R&D expenditures were above the OECD average, but it still only ranked fifth among the G-7 nations. Canada's main weakness is in business R&D intensity, which accounted for only 54 percent of its R&D as compared to the U.S. level of 70 percent in the same year. However, Canada performs well for R&D intensity in higher education, ranking second in the OECD. This performance translates into strong outcomes for publications per capita (sixth in the OECD) and the quality of publications (fifth in the OECD). The weak performance in business R&D results partly from Canada's industrial composition: There is a disproportionate number of small firms and a high degree of foreign ownership, both of which tend to lead to lower R&D investment levels. While Canada's latest efforts at developing a research and innovation strategy are ambitious, the OECD points out that there is still considerable scope for enhancing the country's innovative capacity.

Education policy

Score: 9

The institutional performance of Canada's educational system facilitates equality of opportunity because it effectively diminishes the impact of disadvantaging factors, such as ethnic origin and socioeconomic status. Nevertheless, there are persistent concerns about the level of educational attainment of aboriginal Canadians, who generally suffer from both lower quality of education and lower educational attainment than other Canadians.

At the tertiary level, there is a certain degree of parity in the quality of education offered by universities. The relative absence of elite universities strengthens equity by providing an equally valued education across the country. The funding structure of tertiary education – according to which most provinces require universities to maintain low tuition fees and to provide financial support in the form of loans and grants – also reinforces equity.

Nevertheless, there are some legitimate concerns regarding the level of funding for universities and the lack of incentives for students to major in socially desirable subjects, such as the sciences and more technological subject areas. In fact, Canada ranks only 20th in the OECD for its proportion of degrees in the natural sciences or engineering. On the whole, however, the Canadian education system is of high quality and efficient. Moreover, with the exception of some small subgroups (e.g., aboriginal Canadians), it reinforces equity.

Management Index

I. Executive Capacity

*Cabinet
composition*

<i>Prime minister</i>	<i>Parties in government</i>	<i>Type</i>	<i>Mode of termination</i> *	<i>Duration</i>
Paul Martin	Liberal Party of Canada (Lib)	Single party minority government	1	06/04-02/ 06
Stephen Harper	Conservative Party of Canada (CPS)	Single party minority government	-	02/06-

* *The following modes of termination should be distinguished: elections = 1; voluntary resignation of the prime minister = 2; resignation of prime minister due to health reasons = 3; dissension within cabinet (coalition breaks up) = 4; lack of parliamentary support = 5; intervention by head of state = 6; broadening of the coalition = 7.*

A Steering capability: preparing and formulating policies

Strategic capacity

*Strategic
planning*
Score: 9

Overall strategic planning has a dominant influence on government decision-making, and strategic planning is a government-wide undertaking. There is no single unit explicitly responsible for strategic planning and, consequently, there is no single individual specifically tasked with coordinating strategic planning. Nevertheless, the main actors in strategic planning are the Office of the Prime Minister, the Privy Council Office (PCO) and the Treasury Board. General oversight of strategic planning is the task of the prime minister's office. The PCO, on the other hand, is responsible for priorities and planning groups that hold regularly scheduled retreats and meetings with stakeholders. The meetings aim to develop agendas for Cabinet committees as well as

*Scientific advice**Score: 8*

throne speeches and agendas for key ministers.

The high number of academics in Canada makes academic advice easily available, when needed. Since the 1980s, think tanks and research institutes there have also gained in number, visibility and perhaps influence. There are influential Canadian think tanks across the political spectrum. Academics are invariably invited to contribute to royal commissions and government-led task forces. Ministries also create special temporary advisory positions for academics.

For example, in 1983, the Ministry of Finance created the Clifford Clark Visiting Economist position, a key advisory position often filled by an academic. This economist is appointed by the deputy minister of finance and takes part in the highest level of policy development within the ministry for a one-year term. Additionally, senior ministry officials attend annual retreats at which they meet with outside experts to exchange their thoughts on various key issues.

The current government is less influenced by nongovernmental academics than previous governments have been. However, although there are some variations across ministries, nongovernmental academic advice retains a considerable degree of influence overall.

Inter-ministerial coordination

*GO expertise**Score: 9*

The “center” or core of the executive branch – composed of the Office of the Prime Minister (PMO), the Privy Council Office (PCO) and the Treasury Board (TB) – has a significant capacity not only to monitor but also to evaluate and influence the policy content of line-ministry proposals. The PCO provides an operational and administrative perspective on draft bills, while the PMO offers a political perspective.

The PMO is largely staffed by between 100 and 110 partisan political appointees. It pursues the prime minister’s policy objectives and favored projects, and it evaluates and reviews all proposals from a political perspective, although the current PMO does so less than previous governments have. Unlike previous governments in which the PMO had the required expertise to evaluate the substance of ministerial draft bills, the current PMO lacks the requisite sectoral expertise.

The PCO, on the other hand, works closely with the PMO on collaborative, evaluative efforts. It is staffed by public servants (there were about 800 full-time employees in 2007 – 2008), and it seeks to foster a sense of coherence between departments and agencies as well as harmony between policy

proposals.

The third central coordinating agency, the TB, is a statutory cabinet committee, composed of five powerful cabinet ministers, always including the Minister of Finance, and is supported by the Treasury Board Secretariat (TBS). TBS has three areas of activity: it seeks the highest standards of public management, it exercises expenditure management, whereby it seeks to ensure that resources are aligned to achieve government priorities, and it monitors financial management functions in departments and agencies.

GO gatekeeping

Score: 10

Canada's prime minister and the clerk of the Privy Council set Cabinet meeting agendas, and items envisaged by the line ministries do not reach Cabinet meetings without the PMO's approval. Whenever it decides to do so, the PMO can and will return proposals on either policy or political grounds. In recent years, the PMO has come to dominate the government's policy process to the point that the Cabinet is no longer an effective collective decision-making body. The prime minister's policy advisers play a tangible role early in the drafting of policy considerations, and the PCO plays a dominant role in setting the Cabinet's agenda. In addition, the PCO closely monitors all departments and the policies proposed by line ministers, and it relays this information to the PMO. This intervention early in the drafting of policies ensures that the PMO does not have to return any items, as it gets itself involved in the process already at the early stages.

Line ministries

Score: 9

A line ministry will not put a policy proposal forward unless its department is confident that the proposal will have the PMO's support. Due to the PMO's high level of involvement from an early stage, a lack of its support will prevent the policy proposal from reaching Cabinet meetings. There is direct contact between line ministers' offices and the PMO's chief of staff. The Ministry of Finance can be considered the fourth central coordinating agency (besides the PCO, the PMO and the TB).

Cabinet committees

Score: 7

Cabinet committees lost their relevance between 1995 and 1998, when a program review exercise was conducted. Cabinet committees approve almost all proposals they receive. Nevertheless, decisions regarding whether to finance proposals are left in the hands of the prime minister and the minister of finance. Accordingly, Cabinet committees are regarded primarily as hurdles that departments must surpass or circumvent. What really matters now are the PMO, the PCO and the Ministry of Finance. One exception to this rule is the Priorities and Planning Committee, currently chaired by the prime minister, which sets the government's agenda and occasionally acts for the entire Cabinet.

Annotation:

Donald J. Savoie, *Governing from the Centre: The Concentration of Power in Canadian Politics*. (Toronto: University of Toronto Press, 1999).

*Senior ministry officials**Score: 9*

Senior civil servants outside of the Cabinet handle a great deal of minor government business. There is close consultation and cooperation between ministries, which the PCO and the PMO closely inspect and direct. Senior civil servants from the line ministries are normally involved in preparing and setting the agenda for Cabinet meetings. The majority of this preparation is undertaken by the PCO in collaboration with the PMO.

*Line ministry civil servants**Score: 7*

Overall, there is a high level of inter-departmental coordination between line ministry civil servants. However, the level of interdepartmental coordination does vary across ministries. For example, the quantity and quality of contacts vary among senior officials, which may allow some to coordinate policy proposals across ministries more easily than others do. Additionally, the political sensitivity of some line ministries (e.g., those for defense and foreign affairs) implies reduced interdepartmental coordination, as they may choose to be more centralized than other less politically sensitive line ministries. Coordination with the Treasury Board and the Ministry of Finance is necessary for most proposals, as these departments are responsible for allocating new funding.

Regulatory impact assessments*RIA application**Score: 8*

A Regulatory Impact Analysis (RIA) statement is required for any proposal to amend or introduce new regulations. Likewise, RIAs are used as a tool for evaluating existing regulations. RIAs have three purposes: to demonstrate that the proposed regulation is preferred over other policy tools for achieving the objectives; to describe the stakeholder consultations that have taken place; and to explain the strategy to ensure compliance and enforcement.

With respect to regulatory affairs, Canada has not adopted a strict “command and control” regime. The Regulatory Affairs Directorate (RAD) within the PCO does not have the authority to block regulatory proposals. Rather, Canada’s RIA program allows regulatory departments the flexibility to adopt different approaches to meeting RIA requirements. This flexible approach results in varying degrees of comprehensiveness and effectiveness of RIAs across departments and issues.

*Needs analysis**Score: 8*

There is a lack of consistency both across and within departments regarding the quality of RIAs. This results from both limited budgets and time constraints, which cause plausible alternatives to be either dismissed or superficially analyzed. According to the Treasury Board, the most important function of RIAs is to change the culture within regulatory departments. RIAs benefit regulatory departments once they have internalized the way of thinking embodied within the RIA requirements. As a result, the Canadian RIA program does not follow a strict command-and-control approach, but emphasizes the need of flexibility to adopt different approaches to meet RIA requirements.

*Alternative options**Score: 6*

Several departments (e.g., Environment Canada and Health Canada) have implemented regulatory development processes that reflect new approaches to regulating. These processes increase stakeholder consultation early in the process, increase the range of policy tools considered, and make the trade-offs between the benefits and costs of possible interventions explicit. However, there is a degree of variance across departments in terms of RIA comprehensiveness.

For example, a RIA is likely to be more robust in departments with high regulatory functions. On the other hand, if an issue is designated a government priority and is known to have negative results, an effective, complete RIA may not be completed.

RIAs in departments such as Environment Canada and Health Canada analyze alternative options (but do not quantify the costs and benefits of each alternative). The other RIAs fall short in both the analysis of alternative options as well as their respective cost-benefit ratio.

Societal consultation*Mobilizing public support**Score: 7*

Over the past 30 years or so, the government has established elaborate consultative processes. Key actors from the business community, environment groups and volunteer associations are consulted on a continuing basis. Nevertheless, some groups have complained that their involvement has only a limited impact on the government and its decision-making process. Public consultation, they argue, is mostly “just for show” or simply meant to demonstrate that consultations have taken place.

The Harper government is perceived as having an ideological bias against interest groups, regardless of whether they are general interest groups or interest groups closely aligned with its political party. In doing so, the government attempts to present itself as being focused on the well-being of

the entire nation rather than just on the narrow interests of the supporters of its own party.

Policy communication

Coherent communication
Score: 9

The Canadian government has developed a sophisticated communications policy to ensure that communications across governmental departments and agencies are well coordinated, effectively managed and responsive to the diverse information needs of the public. The current government is very effective at communicating with a single coordinated and coherent voice. The government is very centralized with respect to messages advertised both within and outside the government. The government also constantly monitors its communication with the media to ensure that its voice is coherent and that its message is well received by the public.

B Resource efficiency: implementing policies

Legislative efficiency

Veto players

	<i>Total</i>	<i>Share</i>
Bills envisaged in the government's work program	145	
Government-sponsored bills adopted	82	56.55 %
Second chamber vetos	0	0 %
Head of state vetos	-	- %
Court vetos	0	0 %

Effective implementation

Government efficiency
Score: 8

There are no systemic impediments that prevent majority governments from implementing policies aimed at reaching their stated objectives. In Canada, however, one must also take into account two additional factors that may restrict the government's capability to do so. First, the implementation of policy objectives might be constrained by the division of powers in certain policy areas between both tiers of government (e.g., health and environmental policy). Second, when neither of the two major parties succeeds in commanding the majority in the House of Commons, the one-party minority government must seek the support of at least one of the opposition parties in order to pursue its agenda. This has been the case since 2004, when neither the Liberal government under Prime Minister Paul

Martin nor the current Conservative government under Prime Minister Stephen Harper received a majority of seats at the last two federal elections.

Compared to continental European-style coalition governments, single-party minority governments in Canada are more likely to pursue their own agendas and achieve their own policy objectives. Accordingly, both the Liberal Martin government and the Conservative Harper government were comparatively successful in implementing major policy initiatives (e.g., Martin's Health Accord of 2004 or Harper's federal tax cuts and the new Clean Air Act, which will most likely replace the former Kyoto Protocol legislation). Due to the fragmented, three-party opposition, it is easier for the current Conservative minority government to successfully maneuver in Parliament by building flexible, ad hoc alliances with the Bloc Québécois (BQ) and exploiting the lack of coherence within the Liberal Party's caucus.

Annotation:

Canadian Government, President of the Treasury Board, "Canada's Performance 2006: The Government of Canada's Contribution," (2006), http://www.tbs-sct.gc.ca/repor t/govrev/06/cp-rc_e.pdf (accessed September 19, 2007).

Ministerial compliance

Score: 10

In general, the prime minister has a broad range of incentives to enforce compliance from Cabinet members. Over the past 30 years or so, ministers in Canada have lost considerable power and influence within the government. Power is increasingly concentrated within the prime minister's office (PMO), with the result that ministers have little opportunity to pursue an agenda other than the one put forward by prime ministers and their advisers.

Canadian prime ministers are empowered to fire or re-assign all Cabinet ministers. Senior personnel at the PCO constantly evaluate and monitor department ministers and share this information with the PMO. Some ministers have more influence than others, but the prime minister will not hesitate to fire even a minister with more influence, if that minister threatens the prime minister's or the government's political interests. As a result, poor performers or those who seek to promote their self-interest at the expense of the overall government are rapidly removed through Cabinet shuffling.

Monitoring line ministries

Score: 10

Regarding the four or five major political priorities, Canadian prime ministers use their central agencies (i.e., the PCO and the PMO) to closely and continually monitor the conduct and implementation of policy by line ministries. There is close institutional correspondence between the

subdivisional organization of the Privy Council and major line departments of the Cabinet, which allows for effective monitoring and supervision in the policy-making process.

Monitoring agencies

Score: 8

An agency is distinct from a departmental unit in that it operates under an agency-specific framework agreement and a business plan written by the department. This framework includes the results and service levels expected from and the resources available to the agency. As a result, the departments effectively monitor all the activities of its various special agencies. At the same time, however, agencies are effectively employers in their own right and hold a degree of independence from ministries. Moreover, as there is no day-to-day liaising between agencies and ministers, it can be difficult to enforce policies through an agency.

Task funding

Score: 6

Given the dualistic structure of Canada's federal system, task delegation does not play an important role in political processes. The Constitution provides access to all major revenue sources to both governmental tiers. However, one problem – which can be considered a functional equivalent to “unfunded mandates” in the Canadian context – is the vertical fiscal imbalance. The notion of the vertical fiscal imbalance refers to the mismatch between the revenue-raising capacities and the respective expenditure obligations of the two governmental tiers.

Whereas provincial governments currently raise about 54 percent of government revenues, they account for about 68 percent of total government spending. It is a highly contentious issue whether the federal government raises too much revenue (in relation to its jurisdictional obligations) or whether provincial governments are just too reluctant to increase the tax burden on their residents.

Nevertheless, the federal government supports provincial programs, including health care, post-secondary education and social assistance. At the same time, though, both municipalities and provinces have criticized the current level of funding provided by the federal government as being inadequate for fulfilling all their tasks.

Constitutional discretion

Score: 8

The most significant intrusion into provincial autonomy has traditionally been the federal government's spending power. As the dominant constitutional interpretation suggests, the federal government may apply its spending power in order to make payments to individuals, institutions and other governments as well as to attach conditions to these payments, even if doing so would impinge upon exclusive provincial jurisdictions. The impact of the spending power on provincial autonomy is highly dependent on the

way the federal government makes use of it.

During the period under review, the two governments (i.e., the Liberal Martin and the Conservative Harper governments) appeared to be quite considerate of and responsive to provincial concerns, most notably by allowing opt-out provisions and by signing bilateral agreements. Moreover, in more general terms, it is important to point out that it is primarily the separation of powers entrenched in the Constitution itself (as well as constitutional review) – rather than the federal government – that ensures that the provinces make use of their constitutional scope of discretion.

National standards
Score: 7

The Canadian federation is noticeably decentralized, and the provinces and territories argue that they have different preferences and needs than the federal government does. These two facts make it more difficult to enforce national standards in areas under provincial and territorial jurisdiction. To do so, the federal government has three basic options.

First, it can launch its own program by applying the federal spending power and direct it toward individuals and institutions, even if such a program should fall under provincial jurisdiction. Should the government prefer not to circumvent provincial authority, it has two other options for enforcing national standards. The federal government can offer grants (usually in the form of shared-cost arrangements) and either attach strings to it or, alternatively, allow opt-out provisions.

One exception to this situation is the fact that health care is the only policy area for which the federal government has a built-in enforcement mechanism. If the provinces and territories do not conform to the minimum conditions and criteria set by the federal government, they will be refused the full amount of transfers negotiated for health care.

C International cooperation: incorporating reform impulses

Domestic adaptability

Domestic adaptability
Score: 6

Canada has yet to be challenged in a way similar to the EU member states in responding to the imperatives of supranational integration. While the North American Free Trade Agreement (NAFTA) can, in a sense, be understood as being a “mega-constitution,” it does not impose the same constraints on Canadian governments to adapt their domestic government structures.

By and large, Canada has adapted well to the pressures arising from North American integration. For example, in the highly sensitive area of border

management, Canada and the United States have a long history of collaboration on the federal and state-to-state levels.

However, Canada has been much slower to respond to international developments related to climate change. The government has been slow to implement organizational change in the face of growing international pressures to cut carbon emissions. Previous governments modeled some of their reforms on those of other countries. Notable examples include the introduction of a child tax benefit inspired by the UK Child Tax Credit and the introduction of a consumption tax by the Mulroney government (i.e., the Goods and Services Tax, or GST), which put Canada's taxation structure more in line with those in European countries.

External adaptability

*International
coordination
activities*
Score: 9

Canada is a policy shaper in a variety of policy areas. As a net energy exporter, Canada has been active on the world stage in addressing new and emerging energy challenges. In the area of international development, Canada's role in Africa has been growing in recent years, and its aid flows have increasingly focused on this region. For example, the Canada Fund for Africa, whose resources are estimated to be CAD 500 million, was created in 2002 to provide practical support for African efforts in the wake of the New Partnership for Africa's Development (NEPAD).

Canada is also active in Afghanistan, where it plays an important military and developmental role. Furthermore, in recent years, Canada has actively encouraged its NATO partners to increase their contributions to the mission there. Canada has also been involved in international discussions concerning security, defense, peace, multiculturalism, trade and economic development.

Canada is currently involved with numerous international forums and organizations, such as APEC, the Commonwealth, G-8, the Kyoto Protocol, La Francophonie, the OECD, the United Nations and the Organization of American States (OAS). The Harper minority government aims to recalibrate its established strategy on climate change in order to influence treaty-making in the post-Kyoto era. The primary goal of this recalibration is an international treaty in which everyone participates, including the big polluters: the United States, China and India.

*Exporting
reforms*
Score: 8

Despite having been a pioneer on international issues in the late 1990s (e.g., bans on land mines and multiculturalism), Canada is currently not often viewed as being a pioneer in promoting domestic reform policies on the international stage. Nevertheless, Canada has recently been recognized as a

leader in assessing new chemical substances and regulating substances that may be harmful to human health and the environment. In addition, Canada's historical openness toward immigrants has continued in recent years, and it remains an exceptional example among developed countries for its handling of this issue. These examples – and Canada's current engagement in Afghanistan – prove the international commitment of the two governments in the period under review, and together they justify Canada's being classified as a pioneer rather than a follower.

D Institutional learning: structures of self-monitoring and -reform

Organizational reform capacity

Self-monitoring

Score: 8

Within the PCO, it is primarily the Machinery of Government Secretariat that is in charge of advising the prime minister on matters related to: the structure, organization and functioning of government; the organization of the Cabinet and its committees; and the roles of the Crown and the governor general. In the past, the secretariat has recommended some far-reaching changes in the roles and mandates of the economic development, foreign affairs and trade departments.

In addition to the secretariat, the Treasury Board also plays a role in monitoring the institutional adaptability of government. The Treasury Board Secretariat (TBS) is charged with overseeing the financial-management functions in departments and agencies and ensuring value for money.

Institutional reform

Score: 7

Canadian governments frequently make use of their capacity to adapt their institutional arrangements so as to improve strategic capacity. Most recently, the shift from the Liberal government under Prime Minister Paul Martin to the Conservative Harper government has resulted in significant changes within government institutions. For example, Prime Minister Stephen Harper reintroduced the institution of Cabinet committees. Moreover, the PCO was required to alter its organization and refocus the efforts of its secretariats on their core functions. Within a very short time, the PCO's financial resources were reduced by about 20 percent. The current government has focused on improving existing structures and processes rather than on promoting change.

II. Executive accountability

E Citizens: evaluative and participatory competencies

Knowledge of government policy and political attitudes

*Policy
knowledge
Score: 8*

The average Canadian has a fair amount of general knowledge about the political process and the policy stands of the various political parties. However, Canadians often choose to familiarize themselves only with information that they consider to be most relevant to them. Moreover, surveys indicate that a third of the population aged 19-64 and more than half of all university graduates are engaged in non-voting political activities (e.g., searching for political information). Likewise, it would seem that the average citizen is capable of making reasonable judgments on the basis of the general policy alternatives provided by the political parties.

F Parliament: information and control resources

Structures and resources of parliament, committees, parliamentary parties and deputies

Number of deputies	308
Number of parliamentary committees	22
Average number of committee members	12
Average number of subcommittee members	-
Pro-government committee chairs appointed	22
Deputy expert staff size	4
Total parliamentary group expert support staff	20
Total parliamentary expert support staff	400

*Obtaining documents**Score: 9*

Parliamentary committees have the right to request all government documents. The only limitations on this access or delays in document delivery arise when documents contain highly sensitive material related to issues such as national security. In general, however, the government does not use delaying tactics in delivering government documents to parliamentary committees.

*Summoning ministers**Score: 10*

In accordance with the constitutional convention in Westminster democracies, the Parliament and its committees have the right to summon ministers, government officials and private citizens to testify before them. Committees have the right to review order-in-council appointments (i.e., those of persons the government either appoints to or nominates for non-judicial positions). At this time, ministers are not required to answer questions related to legal matters before the courts. Likewise, owing to prior commitments or other factors, they may occasionally delay – but not prevent – their appearance.

*Summoning experts**Score: 10*

Parliamentary committees have the right to launch inquiries and to call witnesses. This right is derived from the Constitution, which was written in 1867. In particular, parliamentary privilege in Canada derives from the definition put forth by the British Parliament. Committees can also request that written briefs be submitted. Experts may turn down requests to appear before committees.

*Task area coincidence**Score: 6*

The task areas of parliamentary committees and ministries do not always coincide. There are fewer committees than there are ministries, and the number of Cabinet members, including state secretaries, exceeds the number of committees. However, the predominant majority of the most important policy areas are covered by both institutional structures.

*Audit office**Score: 10*

The Office of the Auditor General (OAG) is responsible for independent audits of all federal government operations. The OAG supports the auditor general, who reports to the House of Commons rather than to the government, and it provides both performance and financial audits of departments, agencies and Crown corporations. The areas it chooses to audit are usually high-risk areas and those of particular interest to both Parliament and the Canadian public. It also provides audits in areas requested by Parliamentary committees.

Besides controlling the government's public accounts, the office also conducts special examinations of Crown corporations. In addition, the new Federal Accountability Act of December 2006 gives the auditor general the authority to "follow the money" by inquiring into the use of funds that individuals, institutions and companies receive under a funding agreement

with any federal department, agency or Crown corporation. The act also requires every department to review the relevance and effectiveness of its grants and contributions programs at least once every five years.

Ombuds office

Score: 9

There is a group of officers – traditionally referred to as the “Officers of Parliament” or “Agents of Parliament” – who effectively act as ombudsmen for Canadian citizens. In October 2007, Canada’s Parliament had 11 officers charged with overseeing: the application of the official languages legislation; the access to information legislation; privacy legislation; the government’s ability to plan its fiscal framework (a Parliamentary Budget Office has recently been established); lobbying activities, integrity in the public sector; and conflicts of interest and ethics. These officers serve as independent, accountability agents appointed by the Parliament. Their areas of responsibility include holding ministers and bureaucracies accountable and protecting the rights of individual Canadians. Although officers (or agents) provide an arena for dispute negotiations, they do not have the authority to order a dispute to be resolved in a particular way.

G Intermediary organizations: professional and advisory capacities

Media, parties and interest associations

Media reporting

Score: 9

Canada has highly differentiated public and private broadcasting systems. At the national level, high-quality and in-depth information is generally provided about decisions taken by the government. There are numerous television stations that air discussions and debates focused primarily on policies of the Canadian government. For example the Cable Public Affairs Channel (CPAC), the Canadian Broadcasting Corporation (CBC), Réseau de l’Information (RDI) and TV Ontario offer programs in both French and English focusing on governmental decisions. CPAC also televises conferences, Cabinet meetings and analysis programs in both French and English. The CBC, Newsworld, RDI and CTV now have 24-hour television news programs invariably focused on Canadian politics. There is a slight trend toward airing so-called “infotainment” programs, which present government decisions as entertaining events and stories.

Fragmentation

Parliamentary election results as of 1/23/2006

<i>Name of party</i>	<i>Acronym</i>	<i>% of votes</i>	<i>% of mandates</i>
Conservative Party of Canada	CPS	36.20	40.26
Liberal Party of Canada	Lib	30.17	33.44
Bloc Quebecois	BQ	10.46	16.56
New Democratic Party	NDP	17.44	9.42
Independent (1)		0.55	0.32
Green Party	GPC	4.49	0
Christian Heritage Party of Canada	CHPC	0.19	0
Progressive Party of Canada	PCP	0.10	0
Communist Party of Canada (Marxist-Leninist)	CPC-ML	0.10	0
Others		0.5	0

*Party competence**Score: 8*

The principal goal of Canada's main political parties is to be in power rather than to offer coherent policies. Thus, the real goal is to offer policies that appeal to as many Canadians as possible. This is not to (incorrectly) suggest that party platforms contain no policy proposals. The point is that the pursuit of political power – and not political ideology – appears to shape party platforms.

Nevertheless, the two major parties do try to provide the voting public with electoral platforms that concentrate on a certain number of relatively coherent top policy priorities. Examples of this include the “Red Book” of 1993 put forward by the then opposition Liberal Party as well as “Stand up for Canada,” the 2005/2006 Conservative platform. On the other hand, from the perspective of party platforms, the policies of all parties are coherent and well positioned.

*Association
competence**Score: 8*

Canada has seen a growing number of associations and think tanks attempting to play more important roles in shaping public policies. Since illegal or even violent tactics are rather uncommon in Canada, interest groups there mobilize support for their demands primarily by addressing the government, MPs, the courts or public opinion. On the whole, interest associations in Canada propose reasonable policies. In general, those that are already heavily involved with the government and maintain frequent contacts with political leaders propose sensible and pragmatic policies. The main reason for doing so is the wish to preserve relationships with these political figures.

Employers' associations and trade unions also generally propose reasonable policies. On the other hand, advocacy groups or single-issue groups are perceived as being more extremist, and their policy propositions often do not consider the limited resources or capacities of governments.

*Association
relevance**Score: 7*

In contrast to most similar countries, Canada's level of interest-group involvement over the last 25 years has significantly increased. This beginning of this trend coincided with the federal government's extensive role in providing funding to interest groups during the 1970s. Furthermore, the 1982 Charter of Rights and Freedoms provided interest groups with a powerful instrument by putting (direct or indirect) pressure on governments to anticipate their claims before enacting legislation. Taken together, these developments have broadened the opportunities of interest groups to participate in government consultations and have made the government more responsive to their claims.

This country report is part of the Sustainable Governance Indicators 2009 project, which assesses and compares the reform capacities of the OECD member states.

More on the SGI 2009 at www.sgi-network.org

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