OFFICE OF THE
PARLIAMENTARY BUDGET OFFICER

CANADA

BUREAU DU
DIRECTEUR PARLEMENTAIRE DU BUDGET

Second Quarterly Update of a Monitoring and Oversight Framework for Measures Contained in the Economic Action Plan

Ottawa, July 6, 2009
www.parl.gc.ca/pbo-dpb

The *Federal Accountability Act* mandates the Parliamentary Budget Officer (PBO) to provide independent analysis to the Senate and House of Commons on the state of the nation's finances, the estimates of the government and trends in the national economy.

Key Points of this Note:

- A key requirement for parliamentary approval of *Budget 2009* was that quarterly progress reports be provided to Parliament. This increased scrutiny of fiscal stimulus measures presents a unique opportunity to improve budgetary reporting and oversight practices for Parliament.

- This note provides an assessment of the format and content of the Government of Canada's (GC's) Second Quarterly Report to Parliament, based on international good practices and the Government's own reporting standards. Compared to the first quarterly report:

    - There is significant improvement in the breadth and depth of information regarding output benchmarks and expected outcomes of the stimulus measures.

    - At the same time, there is uneven consistency in the level of detail and information among individual programs. This is partially due to reorganization in the presentation of the stimulus package by the GC; many measures have been re-categorized and some measures have been aggregated.

- To further improve the utility of these reports for parliamentarians, the PBO has drafted a new reporting template for the monitoring and oversight of individual budget initiatives/programs. Parliamentarians may wish to consider integrating this mechanism into the GC's reporting structure in hopes of furthering fiscal transparency and accountability.

- The budget monitoring spreadsheet, presented in the PBO's report of March 2009, has been updated to reflect the additional data of the GC's Second Quarterly Report to Parliament.

Prepared by: David Pinet, Jason Jacques and Brad Recker*

*Comments are welcome. Contact David Pinet (e-mail: pinetd@parl.gc.ca), Jason Jacques (e-mail: jacquj@parl.gc.ca), or Brad Recker (e-mail: reckeb@parl.gc.ca) for further information.

I. Background

A key requirement for parliamentary approval of Budget 2009 was that quarterly progress reports be provided to Parliament. The Parliamentary Budget Officer (PBO) released a discussion paper in February 2009 outlining information that would be required to provide Parliament with **accurate**, **timely**, and **easily understood information** on three key issues:

1) recent economic and fiscal developments and prospects;
2) the implementation and progress of budget measures; and,
3) the budget results in light of its guiding principles and its effective impact on the economy[1].

To this end, the PBO published a budget monitoring framework designed to enumerate stages of implementation for each stimulus measure.

Box 1: Government of Canada's *Next Steps* in Budget 2009 Implementation

"The Government will report regularly to Canadians on the implementation of the Economic Action Plan. Further reports will be issued in June, September and December.

These will focus on substantive milestones – dollars spent and outcomes achieved. In the 2009 Economic and Fiscal Update, the Government will provide a comprehensive analysis of the impact of coordinated policy actions across all G7 countries, including Canada's."

Source: *Government of Canada, Canada's Economic Action Plan.* http://www.actionplan.gc.ca/eng/feature.asp?featureId=7

The Government of Canada (GC) released its first quarterly report in March 2009. At that time, the PBO found that "*while some improvement has been made in describing inputs, the government has not yet reported on key details regarding implementation methods and output measurement; expected outcomes; and progress towards achieving these elements*[2]." The PBO also updated its budget monitoring framework to reflect a progressive series of reporting elements: *Inputs, Process, Outputs and Implementation*; and, *Outcomes and Impact* (Annex A provides a synopsis of this monitoring framework).

On June 11, 2009, the GC presented its Second Quarterly Report to Parliament. This note highlights key issues and considerations for parliamentarians regarding the reporting information of individual measures contained in the Economic Action Plan (EAP). The PBO's monitoring spreadsheet has been updated with the additional data presented in the GC's June report and is attached as Annex E.

[1] Discussion paper is available at: http://www2.parl.gc.ca/Sites/PBO-DPB/documents/Budget_2009_Progress_Report_Info.pdf. An accompanying monitoring spreadsheet was also provided as a tool to assist the monitoring of budget implementation: http://www2.parl.gc.ca/Sites/PBO-DPB/documents/Annex_B_spreadsheet_EN.xls.

[2] The PBO's response to the First Quarterly Report is available at: http://www2.parl.gc.ca/Sites/PBO-DPB/documents/Budget_2009_Progress_Report_First_Report.pdf. The accompanying monitoring spreadsheet was also updated: http://www2.parl.gc.ca/Sites/PBO-DPB/documents/Annex_A_Spreadsheet_09Q1.xls

II. Discussion

The monitoring framework presented in earlier notes focussed on identifying and describing each budget measure, including: the spending authority and delivery mechanism; implementation indicators and output-progress benchmarks; and, expected outcomes or impact indicators. Reporting based on this framework would outline the rollout of each budget measure over time and promote transparency.

The information recommended by the PBO is the type of data already collected by the GC and is published annually in Part III of the Estimates. As such, the additional reporting burden of the PBO's monitoring and oversight framework would be minimal for the GC, yet it could greatly increase transparency of the budget and accountability in the stewardship of public monies.

Box 2: The Government Collects Significant Information Before Money is Spent

The government operates a series of well-articulated internal processes designed to ensure that due diligence is performed on every spending proposal. As noted during testimony by the President of the Treasury Board and his officials to the House Standing Committee on Government Operations and Estimates in March 2009, these standards have not been relaxed with respect to Budget 2009 initiatives.

The Treasury Board Secretariat of Canada publishes a *Guide to Preparing Treasury Board Submissions*, which outlines the required data and analysis required to support every spending proposal brought forward for the consideration of the Government. Among the list of requirements, the *Guide* stipulates that submissions must:

- Identify the expected results of proposed spending and how the organization will measure whether these results have been achieved.
- Provide details regarding key risks associated with the initiative, including risks arising from financial, administrative and organizational considerations.
- Outline any linkages or potential duplication with other programs across the federal government.
- Provide evidence to justify the recommended structure of all new initiatives.

Overall, the administrative and operational data points are key components of the monitoring framework developed by the Parliamentary Budget Officer, and could be helpful in parliamentarians' oversight of Budget 2009's implementation.

Source: *Treasury Board of Canada Secretariat, A Guide to Preparing Treasury Board Submissions (December 2007).* (http://www.tbs-sct.gc.ca/pubs_pol/opepubs/tbm_162/gptbs-gppct-eng.asp)

As is evident from the updated materials of the GC's Second Quarterly Update, there is significant improvement in the breadth and depth of information regarding implementation, benchmark outputs and expected outcomes of the stimulus package. Particular improvements have been made with respect to output measures in several key areas, such as employment insurance and infrastructure.

At the same time, there is uneven consistency in the level of detail and of information among individual budget measures. This is partially due to reorganization in the presentation of the stimulus package by the GC (*e.g.* some measures have been aggregated and some re-categorized). Moreover, limited progress has been made providing accurate and timely information regarding risks associated with budget initiatives

and analysis of the impacts on key stakeholder groups (*e.g.* no comprehensive gender-based analysis has been presented regarding EAP measures). These present opportunities to further promote transparency.

III. Next Steps

While the GC has improved the breadth and depth of data in its second quarterly report, the significant volume of this additional information could pose a challenge for parliamentarians to understand and use it. To improve the utility of the next quarterly report, parliamentarians may wish to consider recommending changes to the organization of budgetary information to ensure that it best supports their oversight needs. This could include standardizing the format of reports and highlighting a consistent set of indicators for each initiative.

With respect to format, the PBO has drafted a template for progress reporting on individual budget initiatives. This template draws on the PBO's existing monitoring and oversight framework, the reporting practices adopted by the United States (US) Government's stimulus package, as well as recommended practices by the Organization for Economic Cooperation and Development (OECD). The template would provide a summary report for each specific budget program including the initiative's description and processes, implementation plans, expected results and actual performance measures[3].

Box 3: US Government's Guidance on Economic Recovery Implementation

Shortly after the US Government released the *American Recovery and Reinvestment Act,* the President circulated a memo to all departments: *Initial Implementation Guidance for the American Recovery and Reinvestment Act of 2009*. This guidance has the overall objective of ensuring effective management, transparency and accountability of the massive US Government stimulus package.

This guidance includes several key elements, including: transparency and reporting; information collection and dissemination; budget execution; risk management; and, award-specific action (loans, contracts, grants and contributions) and requires departments to submit, *inter alia*:

- Weekly Updates with a breakdown of funding, major actions taken to date and major planned actions.
- Monthly Financial Reports providing obligations, expenditures, other financial data, and information on allocations of mandatory and entitlement programs by state, county, or other appropriate geographical unit.
- Award Transaction Data Feeds relating to assistance transactions within the Recovery Act (*e.g.* grants).
- An Agency Recovery Plan which describes both broad recovery goals and specific agency coordinating efforts.

This guidance by the US Government provides assurance that due diligence has been a priority since the start of the *Recovery Act* and that it will continue as the stimulus package is phased-in over time. It is also noted that additional guidance would be provided to departments and agencies in order to address any change in the transparency and accountability requirements of budget implementation.

Source: *Executive Office of the President, OMB, Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009 (February 18, 2009).* (http://www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-10.pdf)

[3] Refer to Annexes B and C for template examples of EI Training Program and Infrastructure Stimulus Plan. Refer to the attached Annex D for a blank template of *Budget Initiative Monitoring and Oversight*. This blank template will be available on the PBO's website at http://www2.parl.gc.ca/Sites/PBO-DPB/Reports.aspx.

Regarding consistency, the GC would be encouraged to follow its existing reporting practices that emphasise presentation of comparable data over time.

In addition to issuing guidance to departments on the recovery implementation plan and warranting the priority of the due diligence process, the US Government has also increased funding for the oversight function within departments.

Box 4: Funding for Transparency and Accountability in the *Recovery Act*

The *American Recovery and Reinvestment Act*, the US Government's "stimulus package", included substantial additional resources to support the monitoring, reporting and audit of stimulus measures.

The Inspector Generals of US departments and agencies received approximately $250 million, in addition to ongoing resources of $2 billion, to:

- Ensure stimulus spending is consistent with legal and administrative requirements, as well as the other accountability objectives defined by the Office of Management and Budget (OMB).
- Prepare reports regarding the financing and operating activities of the departments and agencies implementing the stimulus package; and,
- Minimize fraud, waste and abuse of stimulus funding.

Sources: http://www.recovery.gov/?q=content/inspector-general-plans

For the third quarterly report, it is anticipated that the GC will further augment the quality of information regarding actual budgetary spending and progress. This information must then be provided to Parliament in support of its oversight of fiscal management. This third progress report should include elements contained within the *Budget Initiative Monitoring and Oversight* template (Annex D) and would focus on:

- the specific outflow of budget dollars and remaining allocated funds;
- the achievement of measurable implementation indicators and output benchmarks;
- stakeholder analysis; and,
- the impact of economic stimulus with specific indicators, (*e.g.* employment, GDP, GDI, gender indicators), which the GC has committed to present in its 2009 Economic and Fiscal Update

The US Government has developed a good practice in the form of a detailed guidance document for budget implementation reporting; all US departments and agencies are subject to these increased reporting obligations on budget initiatives. Parliamentarians may wish to consider reviewing the guidance that the GC has issued to its departments and agencies regarding budget implementation reporting to ensure that it is aligned with Parliament's information requirements.

The PBO will continue to update the monitoring spreadsheet for parliamentarians and remains committed to collaborating with the GC to further improve reporting to Parliament. In addition, subsequent reports will provide further analysis regarding material components of the EAP, such as infrastructure stimulus.

Annex A – Budget Monitoring Framework

An Assessment of the Information Provided in the
Government of Canada's Second Report to Parliament June 2009,
Based on the Proposed Reporting Requirement Provided by the Parliamentary Budget Officer March 2009

Inputs

The GC has made progress with respect to reporting on resource requirements and their allocations (*i.e.* how much the Economic Action Plan costs and how it will be spent).

Process

While good efforts have been made to identify the legislative mechanism through which appropriations will be sought, there is inconsistent identification of delivery mechanisms (*i.e*. Direct, Partners or Third Party) and key operational risks. These elements are all data currently collected as part of the government's internal approval processes and one could reasonably expect them to be monitored.

Outputs and Implementation

The GC has made some progress on describing the implementation indicators and output benchmarks by which the budget measures will be continually tracked. For an effective oversight function, these indicators and outputs should be measurable and attainable for the respective budget initiative.

Outcomes and Impact

The GC has identified some impact measurement indicators and expected program outcomes. Moreover, the GC has not yet clearly indicated how individual budget outcomes and objectives will link with other factors to achieve the overall desired outcomes: addressing the current recession and creating 190,000 jobs.

Source: *Office of the Parliamentary Budget Officer, First Quarterly Update of a Monitoring and Oversight Framework for Measures Contained in the Economic Action Plan (March 25, 2009).*
(http://www2.parl.gc.ca/Sites/PBO-DPB/documents/Budget_2009_Progress_Report_First_Report.pdf)

Annex B –
PBO Proposed Reporting Template (Illustrative)– EI Example

Budget Initiative: *Employment Insurance Training Program (www.hrsdc.gc.ca/eng/corporate/budget/2009/sttfj.shtml)*
Department/Agency: *Human Resources and Skills Development Canada (www.hrsdc.gc.ca)* **Date:** *June 2009*

	Plans and Expectations	Actual Performance
PROGRAM DESCRIPTION		
Objective	▪ To expand the availability of training delivered through the EI program by provinces and territories	
Stakeholders	▪ *Provinces, territories, unemployed workers - contributors to EI*	
Funding Amounts	▪ $500 million available in 2009-10 and 2010-11	▪ *$484 million committed (June 2009)* ▪ $ million used/claimed by EI clients?
Delivery Partners	▪ *Provincial governments; funding to flow through existing Labour Market Development Agreements*	
IMPLEMENTATION PLAN		
Legislative Approval	*Pre-existing statutory authority exists through the Employment Insurance Act*	
Key Milestones	*i. Program terms and conditions announced (2009Q2)* *ii.* Funding transferred to each of the provinces and territories *(2009Q2)* *iii. Potential participants can submit applications (2009Q2)* *iv. First participants enrolled (2009Q3)*	i. *Partially achieved: Agreements signed by 9 provinces (June 2009)* ii. *Partially achieved: Funding starting to flow to 9 provinces (June 2009)* iii. Not Achieved / None reported (June 2009) iv. Not Achieved / None reported (June 2009)
Risks & Uncertainties	*i. Potential delay in negotiating funding allocations with provinces and territories* *ii. Actual demand by eligible clients may differ from forecast range* *iii. Actual costs of program may differ from forecast range*	*i. Outstanding negotiations: 4 provinces/territories Expected delay: expected soon (June 2009)* ii. Demand expected to exceed forecasted range? iii. Costs expected to exceed forecasted range?
EXPECTED RESULTS		
Outputs	▪ Increase in the number of participants in training programs by province/territory and subject of study ▪ *Improved labour market outcomes for program participants (e.g. employment, wages)*	▪ # Participants in 2009-2010? vs. previous year (% Change) *Estimated: 100 000 over 2 years (June 2009)* ▪ Success Rate in 2009-2010? vs. previous year (Change in Success Rate)
Outcomes	▪ Expanded availability of training delivered through the EI program by provinces and territories … especially those in industries hardest hit by the global economic turmoil	▪ Achieved economic impact/outcome?

Notes:

Data fields for template are taken from GC requirements for Treasury Board submissions (http://www.tbs-sct.gc.ca/pubs_pol/opepubs/tbm_162/gptbs-gppct-eng.asp), which were outlined in earlier reports by the Parliamentary Budget Officer regarding Implementation and Oversight of Budget 2009, located at http://www2.parl.gc.ca/sites/pbo-dpb/Reports.aspx?Language=E.

Content is derived from the GC's first two quarterly reports, as well as developed from public evaluations of similar measures in Canada (http://www.hrsdc.gc.ca/eng/publications_resources/evaluation/index.shtml) and content from the U.S. Government's www.recovery.gov website (text from the last two sources is *italicized*).

Annex C – PBO Proposed Reporting Template (Illustrative)– Infrastructure Example

Budget Initiative: *Infrastructure Stimulus Plan* (www.buildingcanada-chantierscanada.gc.ca/creating-creation/isf-fsi-eng.html)
Department/Agency: *Transport, Infrastructure and Communities Portfolio* (www.tc.gc.ca) **Date:** *June 2009*

	Plans and Expectations	Actual Performance
PROGRAM DESCRIPTION		
Objective	▪ Support provincial, territorial and municipal infrastructure rehabilitation projects	
Stakeholders	▪ *Provinces, territories, municipalities involved in infrastructure contribution and planning*	
Funding Amounts	▪ $2 billion available in 2009-10	▪ *$1.12 billion committed (June 2009)* ▪ $ million used/consumed by projects?
Delivery Partners	▪ Partners: Provincial, territorial and municipal governments (50% cost basis)	
IMPLEMENTATION PLAN		
Legislative Approval	▪ *Budget Implementation Act*	
Key Milestones	i. *Initial Projects announced (2009Q2)* ii. *Funding transferred to each of the provinces and territories (July)* iii. *Projects underway (2009-2010 construction)* iv. Quarterly Progress Reports (every project)***	i. *Achieved: all but 2 territories with significant projects announced and reported (June 2009)* ii. *Unknown: funds committed (June 2009)* iii. Not Achieved / None reported (June 2009) iv. Not Achieved / None reported (June 2009)
Risks & Uncertainties	i. *Potential delay in negotiating funding allocations with provinces and territories* ii. *Actual demand for funding may differ from forecast range*	i. Outstanding negotiations? Expected delay? ii. Funding expected to exceed forecasted range?
EXPECTED RESULTS		
***** Outputs**	▪ *Number of infrastructure projects - by class of asset, by province/territory/municipality, and by project status (approved, in progress, completed)* ▪ *Value of infrastructure projects - by class of asset, by province/territory/municipality, and by project status (approved, in progress, completed) -including provincial/municipal contributions*	▪ *2009-2010: Announced projects broken down by province, total between 1600-2000 projects.* Not Reported: projects by class of asset, and by project status (in progress, completed) (% change from 2008-2009) ▪ *2009-2010: Announced projects broken down by province*. Not Reported: projects by class of asset, and by project status (in progress, completed) (% change from 2008-2009)
Outcomes	▪ Increase employment and income in construction and related industries	▪ Achieved economic impact/outcome?

Notes:

Data fields for template are taken from GC requirements for Treasury Board submissions (http://www.tbs-sct.gc.ca/pubs_pol/opepubs/tbm_162/gptbs-gppct-eng.asp), which were outlined in earlier reports by the Parliamentary Budget Officer regarding Implementation and Oversight of Budget 2009, located at http://www2.parl.gc.ca/sites/pbo-dpb/Reports.aspx?Language=E.

Content is derived from the GC's first two quarterly reports, as well as developed from public evaluations of similar measures in Canada (http://www.buildingcanada-chantierscanada.gc.ca/creating-creation/isf-fsi-guide-eng.html)*** and content from the U.S. Government's www.recovery.gov website (text from the last two sources is *italicized*).

Annex D – Budget Initiative Monitoring and Oversight – Template

The template available separately on the PBO Website as .doc at http://www2.parl.gc.ca/sites/pbo-dpb/Reports.aspx?Language=E.

Annex E – Budget Monitoring Spreadsheet

The spreadsheet is available separately on the PBO Website as .xml at http://www2.parl.gc.ca/sites/pbo-dpb/Reports.aspx?Language=E.