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# ASSESSMENT OF PBO'S ELECTION PROPOSAL COSTING SERVICE FOR THE 44TH GENERAL ELECTION



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER  
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

The Parliamentary Budget Officer (PBO) supports Parliament by providing economic and financial analysis for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability. The PBO also supports Canadian democracy via the independent costing of election proposals.

This report presents an assessment of the Parliamentary Budget Officer's election proposal costing service during the 44<sup>th</sup> General Election. It includes recommendations to further enhance the quality and efficacy of this service for our clients and the broader public.

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# Executive Summary

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In 2017, the Parliamentary Budget Officer (PBO) was vested with a legislative mandate to estimate the financial cost of the election proposals of political parties, upon their request. When the general election is held on the statutory fixed election date, PBO costs proposals for a 120-day period prior to the voting day. When the general election occurs at any other time, PBO will cost proposals starting the day Parliament is dissolved.

PBO's second EPC exercise was conducted over a 35-day period in August and September 2021. PBO prepared 130 costing requests for political parties, of which 72 were ultimately published. This compares to 200 requests received and 115 published in the 2019 general election. Accounting for the truncated costing period, PBO's output improved considerably. That said, the increased output also reflects overtime on the part of PBO staff and greater support from the Federal Public Service (FPS).

PBO has undertaken a comprehensive review of the content and process underpinning Canada's second EPC exercise. This review is informed by our experience, as well as consultations with political parties, journalists, the FPS and the academic community.

There is a consensus that despite the shorter costing period, the EPC service continues to enhance the credibility of the democratic process and improve fiscal transparency. At the same time, clients and stakeholders also suggest a range of administrative changes to both improve our efficiency, efficacy and transparency.

This report offers five recommendations, which the PBO plans to implement via administrative changes. They primarily relate to enhancing the transparency of our work during the costing period – ensuring that the public has a solid understanding of our (albeit limited) role during an electoral campaign.

A plurality of stakeholders also suggest that in the absence of a fixed election date, the PBO should undertake confidential work for political parties outside of the writ period. As this would necessarily shift resources away from our mandate for ensuring independent analysis of parliamentary business, we believe it is most appropriate for Parliament to determine whether this type of work is appropriate for the Office.

# 1. Introduction

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In June 2017, Parliament enacted the *Budget Implementation Act, 2017, No. 1*, which amended the *Parliament of Canada Act* to give the Parliamentary Budget Officer (PBO) a new mandate to estimate the financial cost of election campaign proposals. When the general election is held on the statutory fixed election date, PBO costs proposals for a 120-day period prior to voting day. When the general election occurs at any other time, PBO will cost proposals for the duration of the election period.

Canada's first Election Proposal Costing (EPC) service was provided for the 43<sup>rd</sup> General Election. Over four months in 2019 (June 24 to October 20, 2019), PBO successfully costed 216 requests from five political parties; 115 were ultimately published by the PBO. A review of this exercise concluded that it enhanced the credibility of the democratic process, as well as Canadians' confidence in political platforms.<sup>1</sup>

Building on the results from this review, PBO updated its operational approach toward EPC. These changes reflected the perceived need by political parties for more timely analysis; the views expressed by some journalists and academics that PBO should operate in a more transparent manner, and, critically, tailoring the EPC process to accommodate a shorter time-period – as would be the case outside of a fixed election date.<sup>2</sup>

PBO's second EPC exercise for Canada's 44<sup>th</sup> General Election was conducted over 35 days in August and September 2021. PBO prepared 130 costing requests for four political parties, of which 72 were ultimately published. Accounting for the truncated costing period, PBO's output improved considerably compared to 2019. The increased output reflects substantial overtime on the part of PBO staff and greater collaboration with the Federal Public Service (FPS).

This report presents the results from our review the EPC exercise during the 2021 federal election. The review relies on consultations with over 25 interviews of key stakeholders: federal political parties, journalists, the academic community, and the FPS.<sup>3</sup>

## 2. PBO's Approach to Election Proposal Costing in 2021

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PBO's plan for the 2021 EPC service had an overarching objective of enhancing public confidence in the election process.<sup>4</sup> To that end, three key principles framed the delivery of the service.

1. *Equity.* PBO's limited resources would be divided equally among all parties with representation in the House of Commons. During a 120-day costing period, this notionally translated to approximately 2,600 hours of analyst time for each political party. In the case of a vote outside of the fixed election date, the resource allocation would be prorated to reflect the shorter period.
2. *Transparency.* The estimates published by PBO should have sufficient detail to allow an informed and motivated individual to understand the core cost drivers that influence our estimates. In practice, this included a detailed listing of all key assumptions and a willingness to respond to any technical inquiries pertaining to published cost estimates.
3. *Credibility.* PBO would only provide political parties with cost estimates it deemed credible. This meant that proposals from political parties had to be sufficiently detailed to allow PBO to prepare quantitative analysis. Based on feedback from the 2019 General Election, we eliminated the option for political parties to submit "envelope" costings, whereby pre-specified spending amounts would be "certified" by the PBO.

Beyond the confidential costing service outlined in legislation, PBO also published complimentary analytical products to support political parties in costing their platforms. This included a 5-year Economic and Fiscal Baseline, as well as an online application to estimate the impact of new spending proposals on public debt interest costs. While PBO did not cost the platforms themselves, these additional analytical products permitted political parties to generate an internally consistent fiscal framework.

PBO deemed information access and collaboration with the FPS to be a key success factor for the EPC service. To that end, consistent with legislation permitting the PBO to request that Ministers direct the FPS to provide support to us during an election campaign, we negotiated Memoranda of Understanding (MoUs) with federal departments and agencies. These MoUs outlined the types of data access and analytical support that the PBO could request, as well as the administrative terms under which the support would be provided.<sup>5</sup>

Finally, political parties also emphasised the importance of maintaining confidentiality during EPC. Although no issues were identified during the 2019 election campaign, PBO further enhanced our internal control framework to ensure the confidentiality of all requests. This included three complimentary aspects:

- *Compartmentalization.* Requests and data were compartmentalized on a “need-to-know” basis. This meant that only the relevant analyst and the senior management team would be aware of each request. In addition, when we requested assistance from the FPS, those organizations were required to follow similar protocols.
- *Anonymization.* All requests from political parties were anonymized before being assigned to PBO staff as well as when seeking assistance from the FPS. In addition, all interactions with political parties were intermediated by a single point of contact within the PBO to ensure the identity of the requestor was kept confidential from the analyst assigned to the request.
- *Privacy.* In situations where the PBO did request data or assistance from the FPS, these interactions were deemed to be privileged under the *Access to Information Act*. Hence, costing requests and analyses remain confidential until announced by the political party.

Further details regarding the EPC 2021 Operational Plan are presented on the PBO Website.<sup>6</sup>

### 3. What Happened During the 35-Day Costing Period

Given that the 44<sup>th</sup> General Election was conducted prior to the fixed election date, political parties enjoyed considerably less time to submit proposals to PBO compared to 2019 (35 days in 2021, compared to 120 days in 2019).

PBO's costing service officially began on August 15, 2021 and approximately 30 requests were received immediately. The volume of requests swelled to over 80 during the following five days. Ultimately, PBO prepared 130 cost estimates and published 72 on our website (see Table 1, below).

**Table 2-1** Timeline of Costing Requests and Estimates (cumulative basis)

	<b>Costing Requests</b>	<b>Completed Estimates</b>
Week 1	82	19
Week 2	91	42
Week 3	95	81
Week 4	130	105
Week 5	130	130

Source: Office of the Parliamentary Budget Officer.

The overall demand for PBO cost estimates exceeded our original expectations. Specifically, while the amount of work was consistent with our experience during the 2019 General Election, it was completed over a 35-day period (rather than the 120-day costing window available in 2019). That said, the demand for our work in 2021 was front-loaded. While we received fewer than 40 requests over the first five weeks of the 2019 EPC exercise, more than triple that number were submitted during the same period during 2021. This presented challenges in managing competing requests among political parties and required PBO staff to work considerable overtime throughout the campaign.

Notwithstanding the high demand for the costing service, PBO was able to accommodate the majority of requests in a timely manner. This achievement was attributable to several factors. Most notably, PBO staff were more productive than anticipated. The 26 analytical staff were able to cost a wide range of policy proposals (many novel) in a remarkably short period. Political parties demonstrated significant flexibility regarding priority-setting amongst their proposals, only submitting those deemed to be fiscally material. As such, we could ensure that limited resources were generally targeted to allow planned announcement dates to be accommodated. Finally, the FPS (in particular, Finance Canada, Employment and Social Development Canada and Statistics Canada) were able to furnish timely access to data and, in some cases, helpful analysis.

The PBO received its last costing request on September 12<sup>th</sup>, 2021 and published our final cost estimates two days before the election. Overall, the PBO costed roughly one-third of all the measures with a potential fiscal impact that were published by the parties during the campaign.

## 4. Assessment

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The following section provides an overview regarding the plurality of views expressed by stakeholders, advice from other jurisdictions that undertake similar work and the PBO's own experience with the 2021 EPC service.

### 4.1. What Worked

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#### Early Engagement with Political Parties

The *Parliament of Canada Act* provides that political parties can only submit official costing requests 120-days prior to a fixed election date, or from the day Parliament is dissolved if before the fixed election date. As noted in our operational guidance for the 2021 EPC exercise, we identified a shorter costing period as the most significant risk to our ability to fulfil PBO's legislative mandate. To mitigate this risk, PBO informally engaged with political parties outside of the official costing period to set appropriate expectations regarding service levels, gauge the potential demand from clients and identify internal capacity gaps.

In general, this proactive approach was deemed by political parties to be effective in providing a clear line of sight regarding what they could expect. From our perspective, it was also deemed essential in ensuring adequate capacity was in place to accommodate anticipated demand.

During consultations, some stakeholders indicated that the PBO needs to go farther. Specifically, it was suggested that the PBO should earmark resources for political parties' confidential costings outside of the legislated EPC costing window. While there is no consensus regarding how this would be operationalized, many stakeholders expressed the view that this would allow the PBO to produce more estimates in a timely manner. The latter is particularly important during a short campaign occurring outside of the fixed election date, where platforms can be expected to be released at the outset of a campaign.

We respect these views. At the same time, as this would require shifting resources away from our principal mandate – enhancing the transparency of Parliament's fiscal and economic deliberations – we believe it is most appropriate for Parliament itself to determine whether this confidential service should be offered beyond the pre-election periods specified in legislation.

**Recommendation #1: PBO maintain ongoing engagement with political parties outside of the official campaign period. However, election**

proposal costing services should be limited to the period specified by the *Parliament of Canada Act*.

## Establishing a Materiality Threshold

Based on the advice from stakeholders following the 2019 election campaign and anticipating that the 44<sup>th</sup> General Election would provide for a shorter costing period, the PBO established a materiality threshold for costing requests. Concretely, we would not prioritize any measure that was expected to have a fiscal impact of less than \$100 million over a 5-year period.

This materiality threshold was generally welcomed by political parties and journalists, both of whom recognized that during a short election campaign resources should be devoted to the more fiscally relevant proposals advanced in political platforms. At the same time, some stakeholders did note that the fiscal impact is not always consistent with policy (or political) relevance. For example, a novel (albeit relatively inexpensive) \$10 million measure may warrant more examination than a simple adjustment to the growth parameters for a pre-existing program. In addition, some measures may have limited costs over the medium-term, but more significant long-term impacts. As such, this could potentially create a transparency gap regarding the independent analysis of campaign proposals.

As noted earlier, PBO has limited resources. Our overall budget represents less than 0.01% of total federal spending. While we recognize the benefit of preparing cost estimates for policy proposals with a smaller fiscal impact, we also note the need to balance this against the importance of targeted efforts to enhance understanding of (and confidence in) political platforms.

**Recommendation #2: During an election campaign held outside of the legislatively mandated fixed election window, the PBO should maintain a materiality threshold for costing requests. When elections take place on fixed dates as per legislation, the PBO will revisit whether a materiality threshold is required.**

## Scope of Analysis

In the 2019 EPC exercise, PBO circumscribed its analytical scope to costs: the fiscal impact of platform proposals and potential interaction effects with related measures. Based on stakeholder feedback, this scope was expanded in the 2021 EPC exercise to incorporate distributional analysis (including GBA+) upon the request of political parties and subject to data availability.

As noted earlier, the truncated costing period presented challenges, requiring us to work with political parties to establish priorities among requests, as well as focus on their most relevant analytical aspects.

In general, while political parties expressed interest in distributional analysis, this was deemed to be ancillary to the cost of the proposals themselves.

Further, virtually all stakeholders expressed the view that the most important contribution PBO makes to proposal costing is publishing credible cost estimates in a timely manner. In short, with limited time and resources, stakeholders believe we should focus our efforts on our core mandate.

**Recommendation #3: PBO should continue to offer distributional analysis of costing proposals where this can be done relatively easily. This analysis will continue to be provided upon request. The additional resource requirements will be offset by commensurate decreases on other costing requests submitted by the same political party.**

## 4.2. What Can Be Improved

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### The Administrative Process

The administrative process for our management of EPC was again subject to complaints from political parties.

Political parties noted that the current EPC information management processes are cumbersome and are perceived to engender considerable operational risk. In particular, parties noted that the current email-based system with Microsoft word attachments was antiquated and difficult to manage. Parties also noted that there was no simple mechanism to maintain a clear line of sight regarding the status of requests. This was of particular concern given the ongoing shifting of PBO resources among political parties and their requests during the 35-day campaign. While all political parties that used the costing service expressed the view that they felt equitably treated, this was primarily based on their trust in the PBO, rather than quantifiable evidence.

**Recommendation #4: PBO will review its existing processes regarding management of the EPC exercise, with the objectives of improving its efficacy and transparency, while still ensuring confidentiality. Once this review is complete, PBO will evaluate options for a new information management system.**

### Transparency and Communications

As noted earlier, feedback related to the 2019 campaign highlighted perceived weaknesses in the PBO's transparency and communications. In particular, journalists and academics observed that they were somewhat unfamiliar with the PBO's role in the electoral process (for example, the important distinction between costing proposals versus platforms).

To address these concerns, PBO deliberately implemented several changes for the 2021 EPC process. These included more proactive outreach (such as media briefing sessions on the EPC process), publishing additional

background information on our website, and providing further access (on background) to the media during the election campaign.

Despite our best efforts, some stakeholders continue to be unaware of our legislated role in the electoral process. While this is generally acknowledged to be a problem, no one consulted during our review was able to offer concrete solutions. PBO remains optimistic that awareness will increase over time. That said, drawing on experiences from other jurisdictions, further transparency during the costing period would likely be beneficial (for example, providing real-time public tracking of the number of requests received and cost estimates prepared).

**Recommendation #5: PBO will evaluate options to further enhance understanding of our role in the election campaign. This will include regular public updates on our work.**

# Notes

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1. Evaluation of Election Proposal Costing 2019. Office of the Parliamentary Budget Officer. [https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/ADM001/ADM001\\_en.pdf](https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/ADM001/ADM001_en.pdf)
2. Costing Election Proposals for the 44<sup>th</sup> General Election. Office of the Parliamentary Budget Officer. [https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/ADM-2021-002-S/ADM-2021-002-S\\_en.pdf](https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/ADM-2021-002-S/ADM-2021-002-S_en.pdf)
3. The findings of this review are informed by consultations with political parties, journalists, academics, the Federal Public Service and other jurisdictions that undertake similar work.
4. See Note 2.
5. Memoranda of Understanding were signed with Finance Canada, Employment and Social Development Canada, National Defence and, Statistics Canada. Located at: <https://www.pbo-dpb.gc.ca/en/about-epc--a-propos-cpe>.
6. See Note 2.