

January 19, 2022



# **ECONOMIC AND FISCAL UPDATE 2021: ISSUES FOR PARLIAMENTARIANS**



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.

To assist parliamentarians in their budgetary deliberations, this report highlights key issues arising from the 2021 Economic and Fiscal Update.

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RP-2122-027-S\_e

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# Summary

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To assist parliamentarians in their budgetary deliberations, this report highlights key issues arising from the 2021 Economic and Fiscal Update (EFU).

## **Economic outlook**

Despite a weaker-than-expected performance in the second and third quarters of 2021, the outlook for real GDP growth in PBO's August Election Proposal Costing (EPC) baseline is, on average, close to the forecast in the EFU over 2021 to 2026.

Relative to Budget 2021, the private sector forecast of nominal GDP—the broadest measure of the Government's tax base—has been revised up by \$87 billion annually, on average, over 2021-2025, due almost entirely to higher GDP inflation. That said, the outlook for nominal GDP in the EFU is lower compared to PBO's EPC baseline projection.

## **Fiscal outlook**

The EFU included \$71.2 billion in additional measures over 2020-21 to 2026-27, of which \$57.8 billion falls between 2021-22 and 2025-26. This represents an increase of \$51.4 billion relative to PBO's EPC baseline.

When put on a comparable basis, PBO's projected budgetary deficits (that is, the EPC baseline adjusted for new measures) would be \$3.7 billion higher, on average, compared to the EFU.

## **Measures since the start of the pandemic**

Since the start of the COVID-19 pandemic, the Government has spent, or has planned to spend, \$541.9 billion in new measures over 2019-20 to 2026-27, of which \$176.6 billion (or about one third) is not part of the COVID-19 Response Plan.

Revisions to the private sector economic outlook and fiscal developments in the EFU provide \$90.9 billion, on a cumulative basis, in new "fiscal room" over 2021-22 to 2025-26. This new fiscal room finances \$57.8 billion in new spending, leaving "room" for \$33.1 billion in additional measures that could be announced in Budget 2022.

Moreover, the \$57.8 billion in new measures announced in the EFU is largely incremental to the measures included in the Liberal Party of Canada's 2021 election platform. We estimate that remaining platform measures would amount to \$48.5 billion in new spending over 2021-22 to 2025-26.

### **Fiscal guardrails**

In its 2020 Fall Economic Statement, the Government set aside \$70 billion to \$100 billion in stimulus spending to “jumpstart the recovery”. The Government also introduced selected labour market indicators—referred to as fiscal guardrails—that would “help establish when the stimulus will be wound down”. Budget 2021 reaffirmed the stimulus plan and guardrails.

In its 2021 Economic and Fiscal Update, the Government continued to track selected labour market indicators, highlighting the fact that, “Canada has recovered 106 per cent of jobs lost at the outset of the pandemic”. However, references to fiscal guardrails and winding down stimulus spending were dropped altogether.

The Government’s previously identified fiscal guardrails and their benchmarking would suggest that “stimulus” spending should be wound down by the end of the 2021-22 fiscal year. Thus, it appears that the policy rationale for the additional spending over 2021-22 to 2023-24 that was initially set aside as stimulus spending has changed.

### **Fiscal anchors**

The EFU re-affirmed the Government’s fiscal anchor commitments to reducing federal debt as a share of the economy over the medium term and to unwinding COVID-19-related deficits.

We estimate that under alternative economic scenarios—without further measures—there is a 75 per cent likelihood that the deficit-to-GDP ratio will be less than 1 per cent in 2026-27 and a 75 per cent chance that the debt-to-GDP ratio in 2026-27 will be below its 2021-22 peak.

That said, with remaining electoral platform commitments amounting to \$48.5 billion (net of tax increases), there is upside risk to the deficit and debt ratios projected in the EFU. Including this new spending would increase the deficit-to-GDP ratio in 2025-26 from 0.8 per cent to 1.0 per cent; the debt-to-GDP ratio would increase to 46.9 per cent from 45.3 per cent.

### **Timeliness of financial reporting**

This year both the Annual Financial Report and Public Accounts were published on December 14, 2021, the latest publication since 1993-94. Comparatively, Canada was among the last of the G7 countries to publish their financial accounts for the 2020-21 fiscal year.

The federal public accounts are published later than most provincial and territorial public accounts, with nearly half of the provinces and territories publishing their respective public accounts within six months.

Canada falls short of the standard for advanced practice in the International Monetary Fund’s (IMF) financial reporting guidelines, which recommends that governments publish their annual financial statements within six months.

### **Fiscal transparency**

As noted by parliamentarians, the delay in the Government's release of its audited financial statement undermined their ability to meaningfully scrutinize proposed Government spending.

Consistent with the Parliamentary Budget Officer's mandate to "promote fiscal transparency", it is recommended that Parliament consider legislative amendments to the *Financial Administration Act*. Such amendments would:

- Move the required release date of the Public Accounts by three months, from December 31<sup>st</sup> to September 30<sup>th</sup>;
- Require the corresponding results documents (that is, the Departmental Results Reports) to be released no later than September 30<sup>th</sup>; and,
- In cases where Parliament is not sitting during the fall, permit the Government to release audited Public Accounts prior to their tabling in the House of Commons.

# 1. Economic outlook

The economic outlook presented in the 2021 Economic and Fiscal Update (EFU) was based on Finance Canada's November 2021 survey of private sector economists.

Table 1 provides a high-level comparison of the average private sector forecast in the EFU and PBO's Election Proposal Costing (EPC) baseline published on August 16, 2021.<sup>1</sup>

**Table 1 Economic outlook comparison**

	2021	2022	2023	2024	2025	2026	2021-2026
<b>Real GDP growth (%)</b>							
Economic and Fiscal Update 2021	4.6	4.2	2.8	2.0	1.8	1.8	2.9
PBO EPC baseline*	5.9	4.2	1.9	1.6	1.6	1.6	2.8
	-1.3	0.0	0.9	0.4	0.2	0.2	0.1
<b>Nominal GDP level (\$ billions)</b>							
Economic and Fiscal Update 2021	2,482	2,644	2,758	2,866	2,973	3,086	
PBO EPC baseline*	2,502	2,678	2,782	2,885	2,994	3,104	
	-20	-34	-24	-19	-21	-18	
<b>GDP inflation (%)</b>							
Economic and Fiscal Update 2021	7.6	2.2	1.5	1.9	1.9	1.9	2.8
PBO EPC baseline*	7.0	2.7	2.0	2.1	2.1	2.1	3.0
	0.6	-0.5	-0.5	-0.2	-0.2	-0.2	-0.2
<b>Unemployment rate (%)</b>							
Economic and Fiscal Update 2021	7.6	6.1	5.7	5.7	5.6	5.7	6.1
PBO EPC baseline	7.6	5.8	5.4	5.4	5.4	5.4	5.8
	0.0	0.3	0.3	0.3	0.2	0.3	0.3

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: \* Adjusted to reflect historical revisions.

Despite a weaker-than-expected performance in the second and third quarters of 2021, the outlook for real GDP growth in PBO's August EPC baseline is, on average, close to the forecast in the EFU over 2021 to 2026.

In 2021, the lower growth forecast in the EFU mainly reflects second quarter real GDP data that surprised on the downside, registering a decline of 3.2 per cent (at annual rates), compared to PBO's expectation of 2.5 per cent in the EPC baseline.

Relative to Budget 2021, the private sector forecast of nominal GDP—the broadest measure of the Government's tax base—has been revised up by \$87 billion annually, on average, over 2021-2025, due almost entirely from higher GDP inflation. That said, the EFU outlook for nominal GDP is lower

compared to the EPC baseline projection: \$23 billion annually, on average, over 2021-2026.

For 2021, the private sector forecast of GDP inflation is higher than PBO's EPC baseline. This mainly reflects recent price pressures related to energy prices and supply disruptions. However, PBO's medium-term outlook for GDP inflation is higher than the private sector forecast in the EFU: 0.3 percentage points annually, on average, over 2022-2026.

For the labour market, the private sector outlook for the unemployment rate in the EFU is consistently higher than PBO's projection (0.2 percentage points, on average). On balance, private sector economists expect slightly faster employment growth, resulting in higher employment levels than PBO projected. Given their outlook for the unemployment rate, this would suggest that private sector economists expect relatively higher labour force participation.



## 2. Fiscal outlook

The 2021 Economic and Fiscal Update included \$71.2 billion in additional measures (relative to Budget 2021) over 2020-21 to 2026-27, of which \$57.8 billion falls between 2021-22 and 2025-26. This represents an increase of \$51.4 billion relative to PBO's 2021 Election Proposal Costing baseline.

When put on a comparable basis, PBO's projected budgetary deficits (that is, the EPC baseline adjusted for new measures detailed in the EFU) would be \$3.7 billion higher, on average, compared to the EFU (Table 2).<sup>2</sup>

**Table 2** Fiscal outlook comparison

\$ billions	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026
<b>PBO budgetary balance in the EPC Baseline</b>	<b>-138.2</b>	<b>-42.7</b>	<b>-35.6</b>	<b>-24.8</b>	<b>-24.6</b>
New measures detailed in EFU 2021	-21.8	-13.1	-7.4	-4.6	-4.6
<b>(A) Revised PBO budgetary balance</b>	<b>-160.0</b>	<b>-55.8</b>	<b>-42.9</b>	<b>-29.4</b>	<b>-29.2</b>
<b>(B) Budgetary balance in EFU 2021</b>	<b>-144.5</b>	<b>-58.4</b>	<b>-43.9</b>	<b>-29.1</b>	<b>-22.7</b>
<b>Difference in the budgetary balances (A-B)</b>	<b>-15.5</b>	<b>2.6</b>	<b>1.0</b>	<b>-0.3</b>	<b>-6.5</b>
<i>Of which: economic and fiscal assumptions</i>	-18.4	3.1	1.0	-0.1	-6.3
<i>Of which: Other differences</i>	3.0	-0.4	-0.1	-0.2	-0.2

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: Economic and fiscal assumptions include re-estimation of previously announced COVID-19 cost estimates.

PBO's EPC baseline included announcements up to July 30, 2021.

Other differences mainly represent PBO's costing differences related to the CEWS and CERS (including as further extended by Bill C-2), and the extensions to the CRSB and CRCB.

The higher deficit in PBO's (adjusted) outlook for 2021-22 is primarily due to higher projected expenses, specifically direct program expenses.

In the 2021 EFU, the Government states that "[d]irect program expenses have been adjusted downward in 2021-22 and 2022-23, largely due to re-estimation of early pandemic response supports." These downward revisions could account for a significant portion of the difference between PBO and Finance Canada projections.

### 3. Measures since the start of the pandemic

Since the start of the COVID-19 pandemic, the Government has spent, or has planned to spend, \$541.9 billion on a net basis over 2019-20 to 2026-27, of which \$176.6 billion (or about one third) is not part of the COVID-19 Response Plan (Table 3).<sup>3</sup>

Of the non-pandemic spending, we identified \$69.2 billion as stimulus in Budget 2021.<sup>4</sup> The remaining amounts of non-pandemic spending are related to “building a better economy” post COVID-19 (\$49.9 billion), compensation to First Nation children and their families (\$24.2 billion), and other policy measures (\$33.3 billion).<sup>5</sup>

**Table 3 Measures since the start of the pandemic (net basis)**

\$ billions	2019-20	2020-21	2021-22	2022-23 to 2026-27	Total
<b>COVID-19 Response Plan</b>	<b>7.2</b>	<b>261.8</b>	<b>85.2</b>	<b>11.2</b>	<b>365.4</b>
<i>Of which: announced in EFU 2021</i>	<i>0.0</i>	<i>0.0</i>	<i>15.6</i>	<i>2.0</i>	<i>17.7</i>
<b>Other measures:</b>					
FES 2020	0.0	5.2	10.9	1.0	17.1
Budget 2021	0.0	2.5	21.3	82.4	106.1
EFU 2021	0.0	9.6	12.8	31.0	53.4
<b>Total other measures, of which:</b>	<b>0.0</b>	<b>17.3</b>	<b>44.9</b>	<b>114.4</b>	<b>176.6</b>
<i>Stimulus spending</i>	<i>0.0</i>	<i>0.0</i>	<i>21.3</i>	<i>48.0</i>	<i>69.2</i>
<i>Related to “building a better economy”</i>	<i>0.0</i>	<i>2.4</i>	<i>5.7</i>	<i>41.8</i>	<i>49.9</i>
<i>Compensation to First Nation children and their families</i>	<i>0.0</i>	<i>9.6</i>	<i>4.0</i>	<i>10.6</i>	<i>24.2</i>
<i>Other policy measures</i>	<i>0.0</i>	<i>5.3</i>	<i>14.0</i>	<i>14.0</i>	<i>33.3</i>
<b>Total measures since March 2020</b>	<b>7.2</b>	<b>279.0</b>	<b>130.1</b>	<b>125.5</b>	<b>541.9</b>

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: Measures for 2026-27 only include measures from the 2021 EFU.

Other policy measures include \$13.3 billion related to funding to “Finishing the Fight Against COVID-19” announced in the 2021 EFU.

In the 2021 EFU, revisions to the private sector economic outlook and fiscal developments provide \$90.9 billion, on a cumulative basis, in new “fiscal room” over 2021-22 to 2025-26.<sup>6</sup> In other words, without any new spending, the budgetary deficit would have been, on average, \$18.2 billion lower each year over 2021-22 to 2025-26 than projected in the EFU.

Over 2021-22 to 2025-26, this new fiscal room finances \$57.8 billion in new spending items<sup>7</sup> detailed in the EFU, leaving “room” for \$33.1 billion in additional measures over this period that could be announced in Budget 2022.

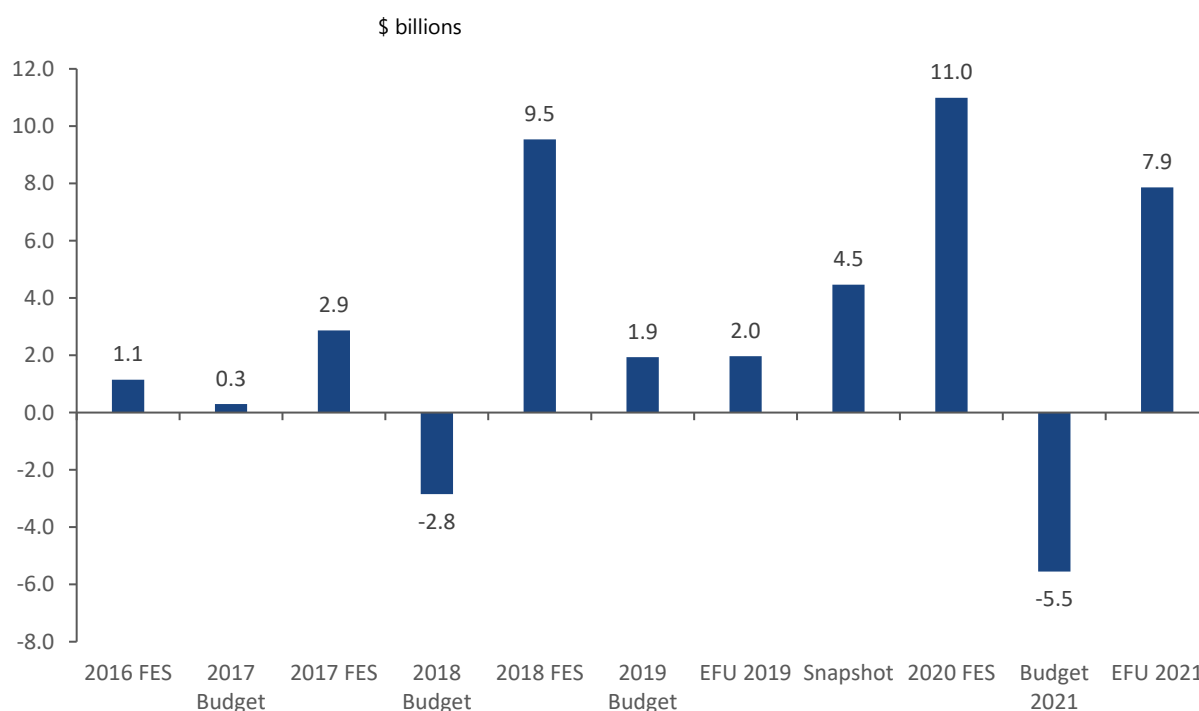
The \$57.8 billion in new measures announced in the EFU (over 2021-22 to 2025-26) is largely incremental to the measures included in the Liberal Party of Canada’s 2021 election platform. We estimate that remaining platform measures would amount to \$48.5 billion in new spending over 2021-22 to 2025-26.

### Non-announced measures

The Government continues to quantify planned spending for non-announced decisions related to national security, commercial sensitivity, contract negotiations, and litigation issues. While this information is useful, it presents challenges for parliamentarians and the public to scrutinize the Government’s spending, particularly if these sums are large.

In the EFU, the Government identified \$7.9 billion in non-announced measures, representing 12.8 per cent of (net) new spending over 2021-22 to 2026-27. Since the 2016 Fall Economic Statement the Government has, on average, reported \$4.5 billion in non-announced measures (Figure 1).

**Figure 1** Non-announced measures



Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Parliamentarians may wish to request that provisions for anticipated Cabinet decisions not yet made be presented as a separate item within the category of non-announced measures.

## 4. Fiscal guardrails

In its 2020 Fall Economic Statement (FES), the Government set aside \$70 billion to \$100 billion in stimulus spending over 2021-22 to 2023-24 to “jumpstart the recovery”. The Government also introduced selected labour market indicators—referred to as fiscal guardrails—that would “help establish when the stimulus will be wound down”. The guardrail indicators were benchmarked to pre-pandemic (February 2020) levels.<sup>8</sup>

Budget 2021 reaffirmed the stimulus spending and indicated that the fiscal guardrails would continue to guide the Government’s policy stance. PBO estimated that Budget 2021 stimulus spending totaled \$69.2 billion, with a roughly equal allocation across the three fiscal years, 2021-22 to 2023-24.<sup>9</sup>

In its 2021 Economic and Fiscal Update, the Government continued to track selected labour market indicators, highlighting the fact that, “Canada has recovered 106 per cent of jobs lost at the outset of the pandemic”. However, references to fiscal guardrails and winding down stimulus spending were dropped altogether.

Further, the fiscal guardrail indicators in the 2021 EFU showed that the employment rate, total hours worked and excess unemployment effectively returned to their pre-pandemic benchmarks by November 2021, well before the end of the 2021-22 fiscal year—the first year of the Government’s stimulus spending plan initially announced in the 2020 FES.<sup>10</sup>

The Government’s previously identified fiscal guardrails and their benchmarking would suggest that “stimulus” spending should be wound down by the end of the 2021-22 fiscal year. Thus, it appears that the policy rationale for the additional spending over 2021-22 to 2023-24 that was initially set aside as stimulus spending has changed.

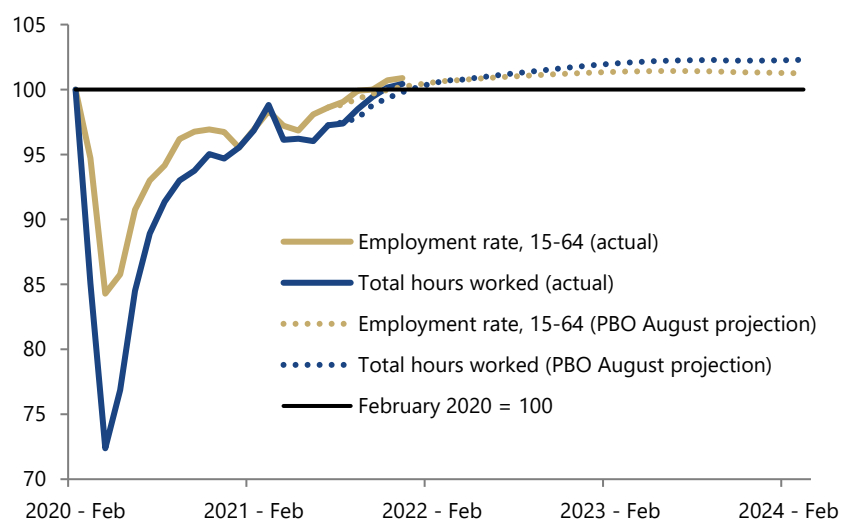
Figure 2 updates fiscal guardrail tracking to include December 2021 data and the projection underlying PBO’s August 2021 Electoral Proposal Costing (EPC) baseline. To date, incoming labour market data have outperformed PBO’s August projection.

The 15-64 employment rate (that is, the level of employment among 15-to-64 year olds divided by the population 15 to 64 years of age) reached its pre-pandemic level in October 2021.<sup>11</sup> PBO’s EPC baseline projected the 15-64 employment rate to continue to increase and stabilise above its pre-pandemic level through the end of the final fiscal year (2023-24) of the previously planned stimulus.

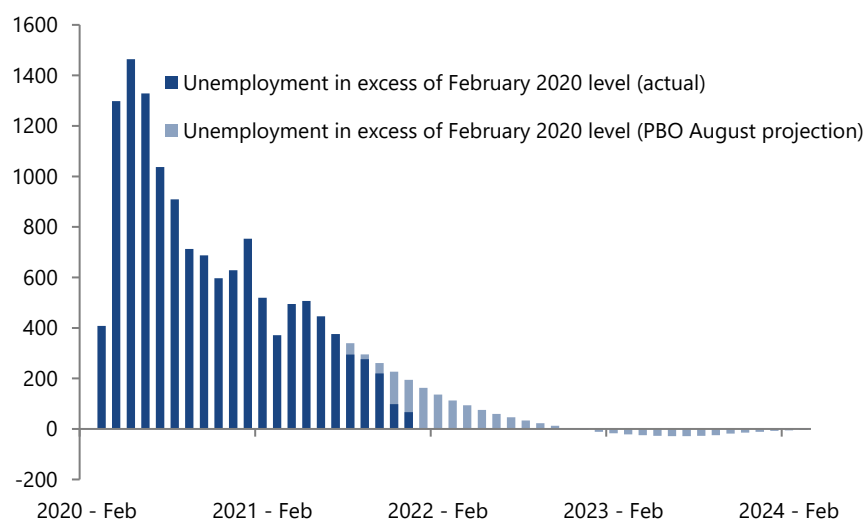
Total hours worked, which combines employment and average weekly hours worked, reached its pre-pandemic level in November 2021. Under PBO’s EPC baseline, total hours worked were also projected to continue to increase and stabilise above their pre-pandemic level through 2023-24.

**Figure 2** Tracking fiscal guardrails

Index, February 2020 = 100



Thousands



Sources: Statistics Canada and Office of the Parliamentary Budget Officer.

Note: Actual data cover the period February 2020 to December 2021. PBO's EPC baseline projection covers the period August 2021 to March 2024.

The level of unemployment in excess of February's 2020 level has decreased sharply in recent months, resulting in a small gap in December 2021.

## 5. Fiscal anchors

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The 2021 Economic and Fiscal Update re-affirmed the Government's fiscal anchor commitments from Budget 2021 to reducing federal debt as a share of the economy over the medium term and to unwinding COVID-19-related deficits. PBO has noted previously that identifying a fiscal anchor enhances fiscal transparency and accountability.<sup>12</sup>

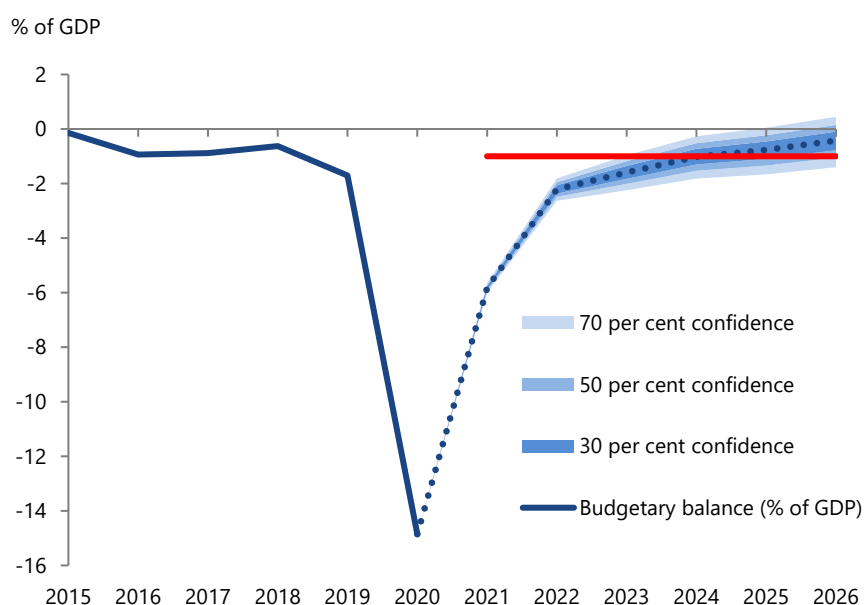
Additionally, the Government highlighted two fiscal sustainability indicators:

1. The deficit-to-GDP ratio falling to less than 1 per cent over the projection horizon; and,
2. The federal debt-to-GDP ratio returning to a downward track beginning in 2022-23.

Over the medium term, the Government projects the deficit-to-GDP ratio to decline from its peak of 14.8 per cent in 2020-21 to 0.4 per cent in 2026-27. The federal debt-to-GDP ratio is projected to decline from its peak in 2021-22 of 48.0 per cent to 44.0 per cent in 2026-27.

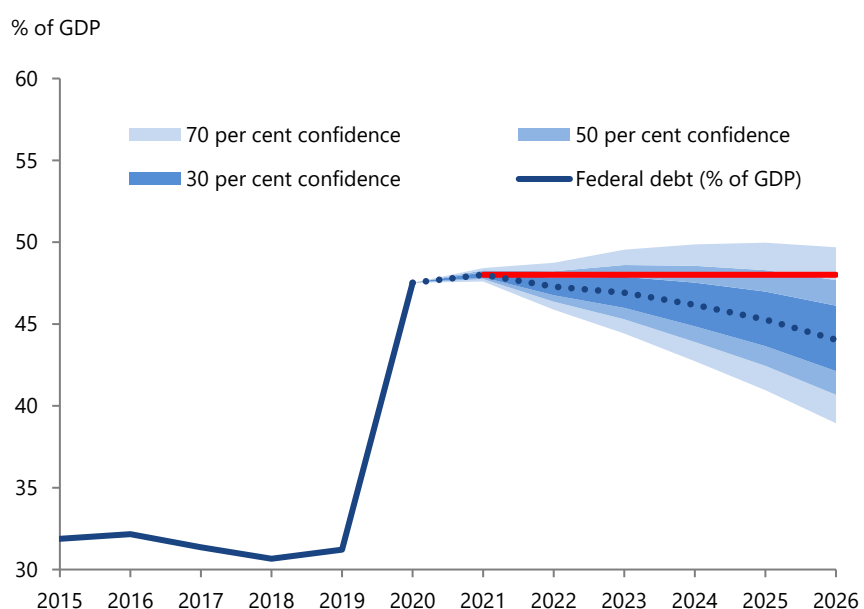
Given the economic outlook and projected deficit and debt ratios in the EFU, we estimate that under alternative economic scenarios<sup>13</sup>—without further measures—there is a 75 per cent likelihood that the deficit-to-GDP ratio will be less than 1 per cent in 2026-27 and a 75 per cent chance that the debt-to-GDP ratio in 2026-27 will be below its 2021-22 peak (Figures 3 and 4).

That said, with remaining electoral platform commitments amounting to \$48.5 billion in new spending (net of tax increases) over 2021-22 to 2025-26, there is upside risk to the deficit and debt ratios projected in the EFU. Including this new spending would increase the deficit-to-GDP ratio in 2025-26 from 0.8 per cent to 1.0 per cent; the debt-to-GDP ratio would increase to 46.9 per cent from 45.3 per cent.

**Figure 3** Forecast intervals for the budgetary balance-to-GDP ratio

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: The series are presented on a fiscal-year basis where 2015 refers to 2015-16. Projection period covers fiscal years 2021-22 to 2026-27. The red line corresponds to a deficit-to-GDP ratio of 1 per cent.

**Figure 4** Forecast intervals for the debt-to-GDP ratio

Sources: Finance Canada and Office of the Parliamentary Budget Officer.

Note: The series are presented on a fiscal-year basis where 2015 refers to 2015-16. Projection period covers fiscal years 2021-22 to 2026-27. The red line corresponds to the level of the federal debt-to-GDP ratio in 2021-22.

## 6. Timeliness of financial reporting

Given the extraordinary level of spending by the Government as a result of the COVID-19 pandemic, the timeliness of its annual financial results was of particular importance this year.

The Government publishes two audited documents that report on its annual financial results: the Public Accounts of Canada, a large and comprehensive document, and a concise Annual Financial Report.

The Annual Financial Report was first published in 1993-94 following a recommendation from the Auditor General and the House of Commons Public Accounts Committee that the government provide the public with "more timely access to understandable, relevant information on the government's financial activity."<sup>14</sup> Prior to the Auditor General's audit requirement in 2018, it was generally published in advance of the Public Accounts.<sup>15</sup>

This year both the Annual Financial Report and Public Accounts were published on December 14, 2021, the latest publication since 1993-94. Comparatively, Canada was among the last of G7 countries to publish their financial accounts for the 2020-21 fiscal year, even when factoring in the differences in fiscal year closing dates (Table 4).

**Table 4** Timeliness of annual financial statements (international comparison)

	Close of Fiscal Year	Date Published	Days Lapsed
<b>France</b>	December 31, 2020	April 21, 2021	110
<b>Germany</b>	December 31, 2020	June 9, 2021	159
<b>Italy</b>	December 31, 2020	June 15, 2021	165
<b>United States</b>	September 30, 2020	March 24, 2021	174
<b>European Union</b>	December 31, 2020	July 1, 2021	181
<b>Canada</b>	March 31, 2021	December 14, 2021	257
<b>Japan</b>	March 31, 2021	Not yet released	
<b>United Kingdom</b>	March 31, 2021	Not yet released	

Sources: Official websites of each respective jurisdiction.

Note: While the United States has completed a more recent fiscal year, the 2019-2020 fiscal year contains the most overlap with the past fiscal years of other countries.

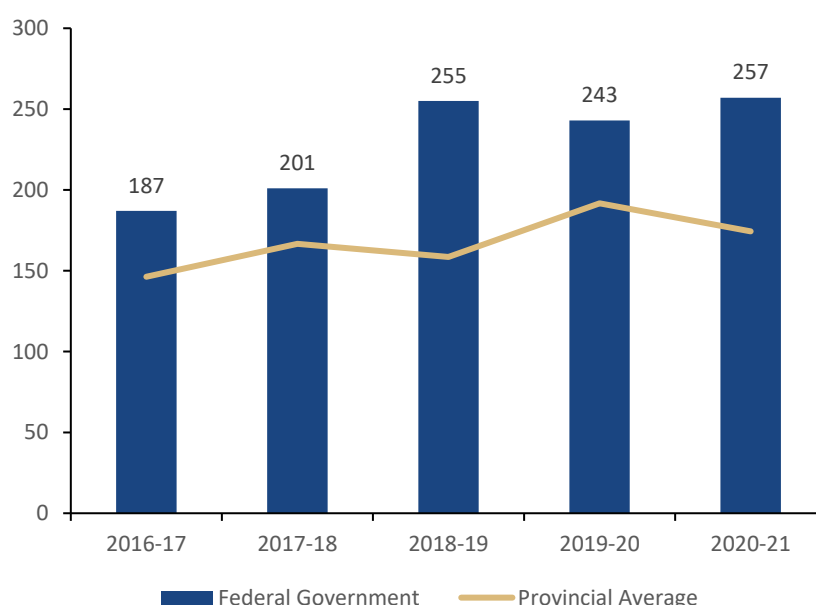
From 2019 to 2021, the Annual Financial Report and Public Accounts of Canada have been published no earlier than November, an average of eight months after the close of the fiscal year (March 31<sup>st</sup>), with this delay increasing over the last five years.<sup>16</sup>



The federal public accounts are published later than most provincial and territorial public accounts, with nearly half of the provinces and territories publishing their respective public accounts within six months.<sup>17</sup> Leading practice is in the Government of Alberta, which publishes its public accounts at the end of June, three months following the close of the fiscal year (Figure 5).<sup>18</sup> Since 2017, there have only been eleven instances (an average of 2 provinces or territories per year) in which a province or territory has published their public accounts after the federal government.<sup>19</sup>

**Figure 5** Timeliness of public accounts in Canada

Days until publication, following the end of the fiscal year



Sources: Office of the Parliamentary Budget Officer and respective provincial, territorial and federal public accounts.

Note: If only the publication month is provided, the 15<sup>th</sup> of the month is assumed to be the publishing date.

Canada falls short of the standard for advanced practice in the International Monetary Fund's (IMF) financial reporting guidelines, which recommends that governments publish their annual financial statements within six months (September 30<sup>th</sup> in Canada's case).<sup>20</sup> The IMF recommends that to ensure timely reporting, financial statements should be published both as unaudited and audited documents.

## 7. Fiscal transparency

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The Economic and Fiscal Update was released on the same day the Government tabled its audited financial statements for the preceding fiscal year in Parliament. The close to nine-month gap between the end of the fiscal year (March 31, 2021) and release of the Public Accounts is the longest in over two decades.

As noted by parliamentarians, this delay undermined their ability to meaningfully scrutinize proposed Government spending.<sup>21</sup> During the brief autumn parliamentary session, the Government tabled several legislative proposals with an estimated cost of over \$20 billion. Most of this proposed spending pertained to continuation of pandemic supports. As such, basic financial and performance information contained in the Public Accounts would have been useful in assessing the merit of new pandemic programs. In the absence of these data, parliamentarians were forced to make do with audited financial data from prior to the pandemic (that is, for the fiscal year ended March 2020).

For its part, the Government notes that all laws have been obeyed—the *Financial Administration Act* only requires audited financial statements to be released by December 31<sup>st</sup> of the subsequent fiscal year.<sup>22</sup> The Government also explains that this year the Public Accounts were further delayed owing to a decision to amend the financial statements following their initial signoff on September 9, 2021.

Notwithstanding the Government's decision to amend the initial Public Accounts (that is, the September 9<sup>th</sup> version), the President of the Treasury Board ultimately signed off on November 29, 2021—two weeks prior to their public release. During this two-week period, parliamentarians were actively debating new legislation, including the \$13.4 billion Supplementary Estimates (B) package.

Building on the observations of the Senate National Finance Committee in its study of Supplementary Estimates (B), parliamentarians may wish to consider concrete proposals to reduce the Government's discretion to undermine transparency.<sup>23</sup> Consistent with the Parliamentary Budget Officer's mandate to "promote fiscal transparency", it is recommended that Parliament consider legislative amendments to the *Financial Administration Act*. Such amendments would:

- Move the required release date of the Public Accounts by three months, from December 31<sup>st</sup> to September 30<sup>th</sup>;
- Require the corresponding results documents (that is, the Departmental Results Reports) to be released no later than September 30<sup>th</sup>; and,

- In cases where Parliament is not sitting during the fall, permit the Government to release audited Public Accounts prior to their tabling in the House of Commons.

These amendments would inform Parliament and Canadians several months earlier on the Government's year-end financial position, providing parliamentarians with more time for ex-post financial scrutiny and better information for assessing the Government's budget plans and estimates.

# Notes

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1. PBO's August 2021 EPC baseline is available at: <https://www.pbo-dpb.gc.ca/en/blog/news/RP-2122-016-S--2021-election-proposal-costing-baseline--cout-mesures-proposees-pendant-campagne-electorale-2021-prevision-reference>.
2. PBO's EPC baseline extended to 2025-26.
3. The COVID-19 Response Plan includes \$4.5 billion provisioned in EFU 2021 for costs that could arise as a result of the Omicron variant.
4. See PBO's report on Budget 2021 available at: <https://www.pbo-dpb.gc.ca/en/blog/news/RP-2122-004-S--budget-2021-issues-parliamentarians--budget-2021-enjeux-parlementaires>.
5. For compensation to First Nation children and their families, we have assumed that the funds previously provisioned in the fiscal framework (\$15.8 billion over 2020-21 to 2026-27) were provisioned prior to the onset of the pandemic. The previously provisioned amount of \$15.8 billion, combined with \$24.2 billion in additional compensation, totals the \$40 billion in compensation to First Nation children and their families announced in the EFU.
6. The "fiscal room" referenced here is in relation to the federal debt and deficits from Budget 2021.
7. Of the \$57.8 billion in new spending, \$4.5 billion is a provision for the Omicron variant response, and \$5.0 billion is a provision for recovery costs related to natural disasters in British Columbia.
8. PBO noted in its December 2020 report on the FES that the Government would improve transparency by clearly providing its quantitative thresholds. PBO's report on the 2020 Fall Economic Statement is available at: <https://www.pbo-dpb.gc.ca/en/blog/news/RP-2021-037-S--fall-economic-statement-2020-issues-parliamentarians--enonce-economique-automne-2020-enjeux-parlementaires>.
9. See PBO's report on Budget 2021 available at: <https://www.pbo-dpb.gc.ca/en/blog/news/RP-2122-004-S--budget-2021-issues-parliamentarians--budget-2021-enjeux-parlementaires>.
10. Recall that PBO's March 2021 pre-budget projection (without stimulus spending) showed that, based on the fiscal guardrail indicators, almost all of the ground lost in the labour market due to the pandemic would be made up by the end of 2021-22, the first year of the Government's stimulus spending.
11. EFU 2021 replaced the 15-64 employment rate guardrail used in Budget 2021 with an age-adjusted total (15+) employment rate. To ensure comparability and consistency with Budget 2021 and our earlier analysis, we continue to use the 15-64 employment rate.

12. For example, see PBO's report on the 2020 Fall Economic Statement. Available at: <https://www.pbo-dpb.gc.ca/en/blog/news/RP-2021-037-S--fall-economic-statement-2020-issues-parliamentarians--enonce-economique-automne-2020-enjeux-parlementaires>.
13. The dispersion of the alternative economic scenarios (that is, the fan chart distributions) is based on the historical economic forecasting performance of private sector economists in Finance Canada's survey over 1994-2019.
14. Please see: <https://www.canada.ca/content/dam/fin/migration/afr-rfa/pdf/afr96e.pdf>.
15. From 1994-95 to 2017-18, on average, the Annual Financial Report has been published 20 days in advance of the Public Accounts. In 2018, the Auditor General changed this practice and required that the Annual Financial Report and Public Accounts be published at the same time.
16. From 1994-95 to 2017-18, the Public Accounts and Annual Financial Report were typically published in October, or around 6 to 7 months after the close of the fiscal year.
17. Provinces that regularly published a portion or entirety of their respective public accounts within six months of the close of the financial year include: Alberta, Nova Scotia, New Brunswick, British Columbia, Ontario, and Manitoba.
18. Alberta legislated the publication of their public accounts to be on or before June 30 in their *Fiscal Planning and Transparency Act*: <http://www.qp.alberta.ca/documents/Acts/f14p7.pdf>.
19. Between 2017 and 2021, the Quebec and Prince Edward Island governments both tabled their financial reports after the federal government on three occasions. The government of Nunavut released their financial reports later than the federal government on two occasions; Newfoundland and Labrador, Northwest Territories and Saskatchewan governments have done so on one occasion.
20. The International Monetary Fund's Fiscal Transparency Handbook (2018) provides international standards and guidelines for disclosure of information about public finances. For more information see: <https://www.elibrary.imf.org/view/books/069/24788-9781484331859-en/24788-9781484331859-en-book.xml>.
21. Hansard. December 2, 2021. <https://www.ourcommons.ca/DocumentViewer/en/44-1/house/sitting-9/hansard>
22. *Financial Administration Act*. Section 64(1). <https://laws-lois.justice.gc.ca/eng/acts/f-11/page-9.html#h-229076>
23. Second Report of the Senate National Finance Committee. December 2021. Parliament of Canada. [https://sencanada.ca/content/sen/committee/441/NFFN/reports/NFFN\\_Report\\_SuppsB2022\\_Final\\_e.pdf](https://sencanada.ca/content/sen/committee/441/NFFN/reports/NFFN_Report_SuppsB2022_Final_e.pdf)