Budgetary Governance in Practice: Canada

Economic context
Strong economic growth in Canada has been led by household consumption, which should slow as rapid job growth and wealth effects from house price appreciation abate. Earlier robust export increases have weakened substantially, in part because of the stronger Canadian dollar. Consumer price inflation is expected to reach 2% in 2019, as remaining spare capacity is exhausted and exchange rate effects dissipate.

Fiscal policy plans
Canada’s budgetary policy is focused on smart, targeted investments that will help create the conditions required to foster economic growth and grow the middle class. The government’s expressed view is that fiscal policy has an important role to play in delivering stronger economic growth today and in expanding the economy’s growth potential over the long term, while maintaining Canada’s low-debt advantage.
Developments in budgetary governance

Although there are no legally binding fiscal rules in force but as of Budget 2017, the Government of Canada's fiscal objective is to balance the need to make targeted investments to support economic growth while preserving Canada's low-debt advantage for current and future generations.

Canada is particularly strong in the area of citizen engagement during the budget process, with the government seeking the views of stakeholders, businesses, NGOs and the public on what budget priorities should be during pre-budget consultations. Recent initiatives to improve budgetary governance include a commitment to improve fiscal transparency and the introduction of a new long-term capital infrastructure plan.

Canada also introduced gender budgeting in 2016, and the draft budget proposal now includes gender-based analysis of budgetary measures. A Gender Results Framework was also introduced in 2018, to guide policies included in Budget 2018 and future budgets.

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**Central Budget Authority**

Department of Finance and Treasury Board Secretariat (TBS).


**Legal Framework**

Constitutional conventions and Constitution Acts provide the principles for the relationship between the executive and the legislative branches at federal level. The Constitution Act (Chapters VI and VIII) stipulates the principal provisions for Parliament’s budgetary powers, including for the adoption of appropriation and tax bills, and for approving public debt. The Financial Administration Act defines the responsibilities of the Treasury Board and the Ministry of Finance. In general, new budgeting procedures are introduced by Cabinet decision, rather than by new statutes or major modifications to existing statutes. This reflects the strong unwritten powers enjoyed by Cabinets and Cabinet committees in Westminster countries.

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**Budget coverage**

The executive's budget applies to central government. The coverage of the budget is not defined in law. By convention, the executive departments can propose changes in the institutional units comprising “federal government”.

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**Budget cycle**

- **Budget circular**: Sept/Oct
- **Pre-budget fiscal policy statement**: n/a
- **Negotiations with line ministries**: n/a
- **Executive budget proposal**: Feb/Mar
- **Parliamentary vote on budget**: No set date
- **Start of financial year**: 1 Apr.
- **In-year budget execution reports**: Monthly
- **Mid-year implementation report**: Oct/Nov
- **End of financial year**: 31 Mar
- **Year-end financial statement**: By 31Dec
- **Audited financial report**: By 31Dec
- **Parliamentary accounting**: Within a year

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Canada’s application of OECD budget principles “at a glance”

1. Fiscal policy objectives  
   There are no legally binding fiscal rules in force but as of Budget 2017, the fiscal objective is to balance the need to make targeted investments to support economic growth while preserving Canada’s low-debt advantage for current and future generations.

2a. Strategic alignment  
   The medium-term priorities of the government are set out in the Speech from the Throne at the start of each parliamentary session.

2b. MTEF  
   The MTEF is operated through adoption of a 5-year horizon for budgetary projections (revenues, expenses, budgetary balance). The planning horizon can be longer for expenses such as defence or infrastructure funding. Ceilings are adjusted annually.

3. Capital and infrastructure  
   The government has a long-term capital infrastructure plan – Investing in Canada (2016). Legislation has been passed for an Infrastructure Bank to work with the private sector to increase infrastructure investment.

4. Transparency and accessibility  
   In 2015 the government committed to raise the bar for openness and transparency. Canada’s Open Government Commitments (2016-2018) set out four priority areas including fiscal transparency. Most budget data is provided in open data format.

5a. Parliamentary engagement  
   The parliamentary budget process can be divided into the pre-budget consultation process and the approval process. The Finance Committee examines the ex ante budget. Standing committees examine estimates that fall within their mandate. However, no committee coordinates overall scrutiny of the estimates. Amendment powers are very limited.

5b. Inclusive public / civic debate  
   The government seeks the views of the public on budget priorities during pre-budget consultations. It introduced gender budgeting in 2016 and publishes a gender impact assessment of the budget. It also publishes a citizen’s guide to the year-end budget execution report.

6. Budget accounting and financial reporting  
   The budget is prepared on an accrual basis. The government has presented its financial statements on a full accrual accounting basis since 2003. Monthly updates on spending and revenue are published in the Fiscal Monitor. Departments publish quarterly financial statements.

7. Budget execution  
   Single treasury fund is mandatory for all revenues and expenditures of central government. Appropriations can be reallocated between votes with the approval of the Treasury Board. Supplementary estimates ask the parliament to approve funding for new initiatives.

8a. Performance budgeting  
   Departmental Results Frameworks for each department and agency provide the structure for performance reporting. Departmental Plans and Departmental Results Reports form the foundation of Canada’s departmental monitoring structure.

8b. Evaluation and VFM  
   All grant and contribution programmes must be evaluated every five years. The Office of the Auditor General also conducts performance audits of departments and agencies. Spending reviews focus on eliminating poorly targeted and inefficient programmes, wasteful spending, and ineffective and obsolete government initiatives.

9. Fiscal risk and long-term sustainability  
   Potential fiscal risks are included in the Economic and Fiscal Update. The government and the Parliamentary Budget Office both publish a long-term fiscal sustainability report.

10. Quality assurance and audit  
   The Office of the Auditor General audits conducts performance audits, audits of financial statements and financial audits. A Parliamentary Budget Office was established in 2008 to provide independent analysis to parliament on the budget, the estimates and other documents. Its mandate was expanded in 2017 to include election costings.

Note: Rows in **bold** represent notable international practice.