



International Foundations for Performance Budgeting The Case of the Government of Canada

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Outline

- Canadian Context
- New Expenditure Management System
- Foundation – MRRS & Evaluation
- Strategic Review Process
- Lessons Learned
- Further Information




The Canadian Context





Canada is a big country, with a small population, and a decentralized government that delivers services across the world ...

- This poses unique monitoring and reporting challenges:
 - 35 million people in a vast geographic area
 - Highly decentralized federation: 10 provinces, 3 territories
 - Provinces are equal to the federal government and have real power
 - Hundreds of federal-provincial agreements and transfer payment programs
- Over 90 departments & agencies and 46 Crown corporations
 - Over 300,000 core public servants
 - Over 1,600 points of service
 - Diplomatic presence in about 180 countries - Canadian Forces in 17 missions
 - Over 2500 programs and 350 million transactions per year



Canada achieved an enviable fiscal position after a major fiscal restraint exercise in the mid-to late 1990's ...

- **In 1993-94, the annual deficit was \$42B (5% of GDP) and debt was 70% of GDP**
- **Program Review (1994-95) solved the fiscal crisis**
 - Implemented when economic conditions were worsening - had to act
 - Program cuts linked to deficit targets (3% of GDP by 96-97, 2% by 97-98)
 - Review exercise lasted 6 months - June to November 1994
 - 1995 Budget announced \$16.9B in savings over 3 years, further \$2B in savings announced in 1996 Budget; Implementation plan over 3-years
 - Overall spending fell by 10% from 1995 to 1999, capital spending fell by 35%
 - Up to 45,000 jobs were lost
- **By 1997-98 the surplus was \$3.5B - and the budget has been in surplus since**



The program review period of the 1990's left a few issues ...

- Reduced capacity in important areas: audit, evaluation, financial management ...
- Some program integrity (rust out) issues
- An expenditure management system in need of improvement:
 - Did not have a detailed information base on all programs
 - Was not informed enough by performance information
 - Did not assess new spending proposals in light of the existing spending base
 - Did not systematically assess all direct program spending
- A new system must address these issues and:
 - Be legitimate to Ministers, central agencies, departments and interest groups
 - Make decisions early enough to influence priority-setting and the Budget



The New Expenditure Management System





The underlying objectives are management excellence and value for money ...

- The government wants to deliver high quality services and high value programs at reasonable cost
- Expenditure Management System Renewal is changing the way the government operates and aims to ensure:
 - Aggregate fiscal discipline (i.e. control of overall growth in spending)
 - Effective allocation of government resources to areas of highest relevance, performance and priority
 - Efficient and effective program implementation



The new System is supported by three pillars

- All spending must be managed to transparent results/outcomes
 - Clear measures
 - Assessed and evaluated systematically and regularly
 - Demonstrating value for money
- Up-front discipline is applied to new spending proposals to manage spending growth
 - Include clear measures of success
 - Demonstrate how the proposal fits with existing spending and results
 - Provide reallocation options for funding
- Strategic Reviews assess existing spending over a four-year cycle to ensure alignment with priorities, and effectiveness, efficiency and economy
 - Programs expected to demonstrate results in support of priorities
 - Decision-making to use objective, evidence-based information



The Foundation MRRS & Evaluation



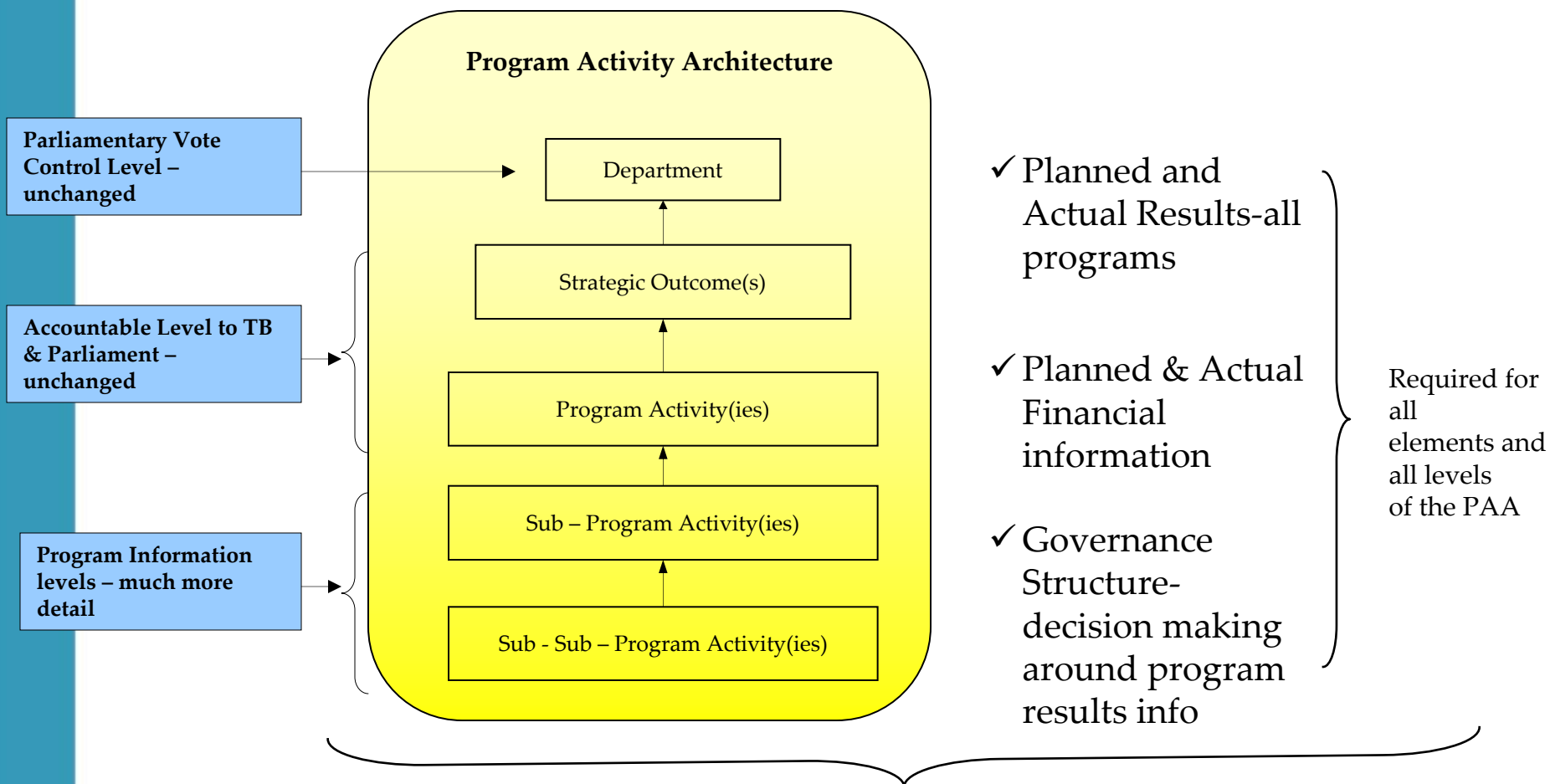


A common approach to the collection, management, and reporting of performance information is key ...

- **Management, Resources and Results Structure Policy (2005)**
 - Provides detailed information on all government programs
 - Establishes the same structure for both internal decision-making and external accountability
 - Helps to link resources and results -- planned and actual
 - Is being implemented across government

All program information is structured the same way ...

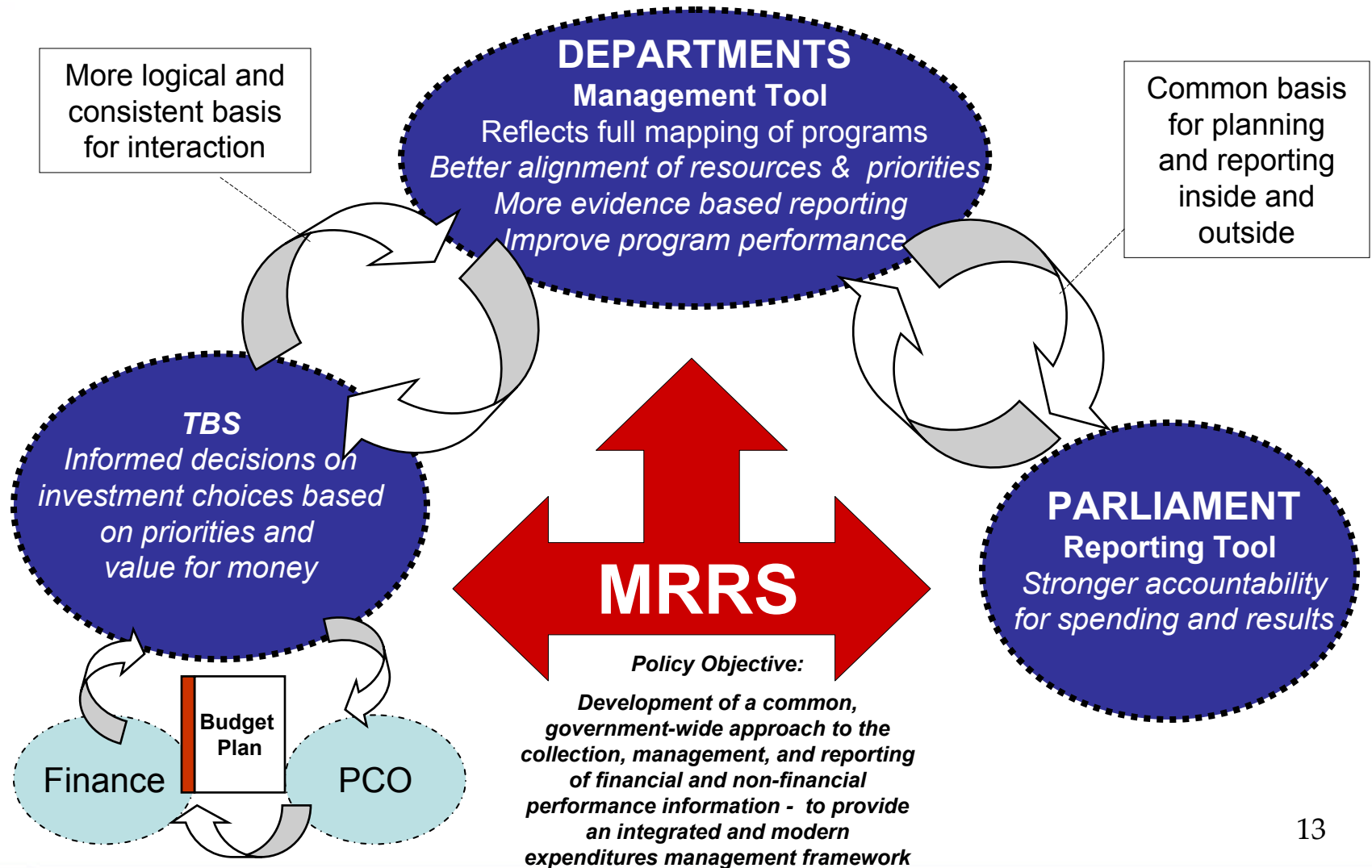
Program Activity Architecture + Financial and non-financial information



IT Support: Expenditure Management Information System 12



Well structured information helps decision-making ...





Evaluation information is important but there are challenges to getting it ...

- Quality, timeliness and strategic focus issues hinder systematic use of evaluation to support decision-making:
 - often small programs - not strategic
 - about 10% of spending each year - too low
 - take too long and difficult to understand
 - can be self serving when funded by program managers
- Capacity issues have made it difficult to deliver
 - Need more trained evaluators
 - Need consistent competencies for managers and staff
 - Definition of the evaluation “product” same as 20 years ago - may need a new sort of product



Rebuilding evaluation requires focused attention ...

- Strategic reviews require credible information on the relevance and performance of government programs ... and evaluation is a key source
- **Objectives of evaluation policy renewal:**
 - **Improve the information base for strategic reviews** - increased focus on value for money (relevance and program performance)
 - Comprehensive coverage of programs through a **regular and systematic cycle**
 - **Improved credibility** through agreed upon standards, flexible tools for evaluation and neutrality of the evaluation function
 - **Improved quality** by having the right capacities, people and systems
 - **Continuous learning and improvement** - stronger Treasury Board capacity to lead the function, monitor capacity and use evaluation information




Strategic Reviews





Strategic reviews are program-based and results-informed

- All direct program spending reviewed - 25% each year
- **Treasury Board and its Secretariat** set terms of reference:
 - ✓ **Comprehensiveness** – assessment of mandate, departmental objectives, program effectiveness, efficiency and alignment to government priorities
 - ✓ **Reallocation proposals** – options for program reductions or eliminations to reallocate to government priorities and support overall spending control
 - ✓ **Reinvestment proposals** – options to better support government priorities
- **Departments** review the relevance and performance of their spending, identify lowest performing/priority 5% of programs, seek outside expert advice and report to the Treasury Board
- **Privy Council Office** identifies review departments every year and assesses, with **Treasury Board and the Department of Finance**, the departmental proposals



The first reviews (2007) generated significant savings but also demonstrated a need to improve the quality of results information ...

Seventeen organizations reviewed their programs in 2007

Ministers examined \$13.6B, about 15 per cent of direct program spending

\$386 million per year was identified as presenting opportunity to:

- ✓ **Increase efficiency and effectiveness:** Change the way the Government delivers programs and services
- ✓ **Focus on core roles:** Ensure that services are delivered by those best positioned to do so
- ✓ **Meet the priorities of Canadians:** Align federal activities with the needs and priorities of Canadians and eliminate programs that are no longer necessary

Savings were redirected to fund new initiatives, both within departments and to broader spending priorities in Budget 2008



What lessons have we learned (#1)?

Need **persistent effort** to build capacity - will take time

Political leadership

Have a **plan** but **experiment and adapt**:

- Central agency leadership
- Know programs
- Identify measures and collect the data
- Evaluation capacity means investment
- Use the information for decision-making in the department
- Use the same information to improve reporting

Linking performance information to reporting was helpful – but linking it to **decision-making in the budget process** has been critical

Don't wait for perfection



What are the lessons learned (#2)?

This is **cultural change**: expect resistance - go for small wins - communicate - acknowledge risks - adapt - build trust

Rewards and sanctions are important - the management accountability framework - gaming

Put elected and non-elected officials on the same information base:

- Make it relevant for decision-making
- Better management and fiscal results
- Sound understanding of the business
- Ministerial engagement important

Have realistic expectations - under promise, over deliver



Annexes and Background Material



Annex A - Links to Further Information

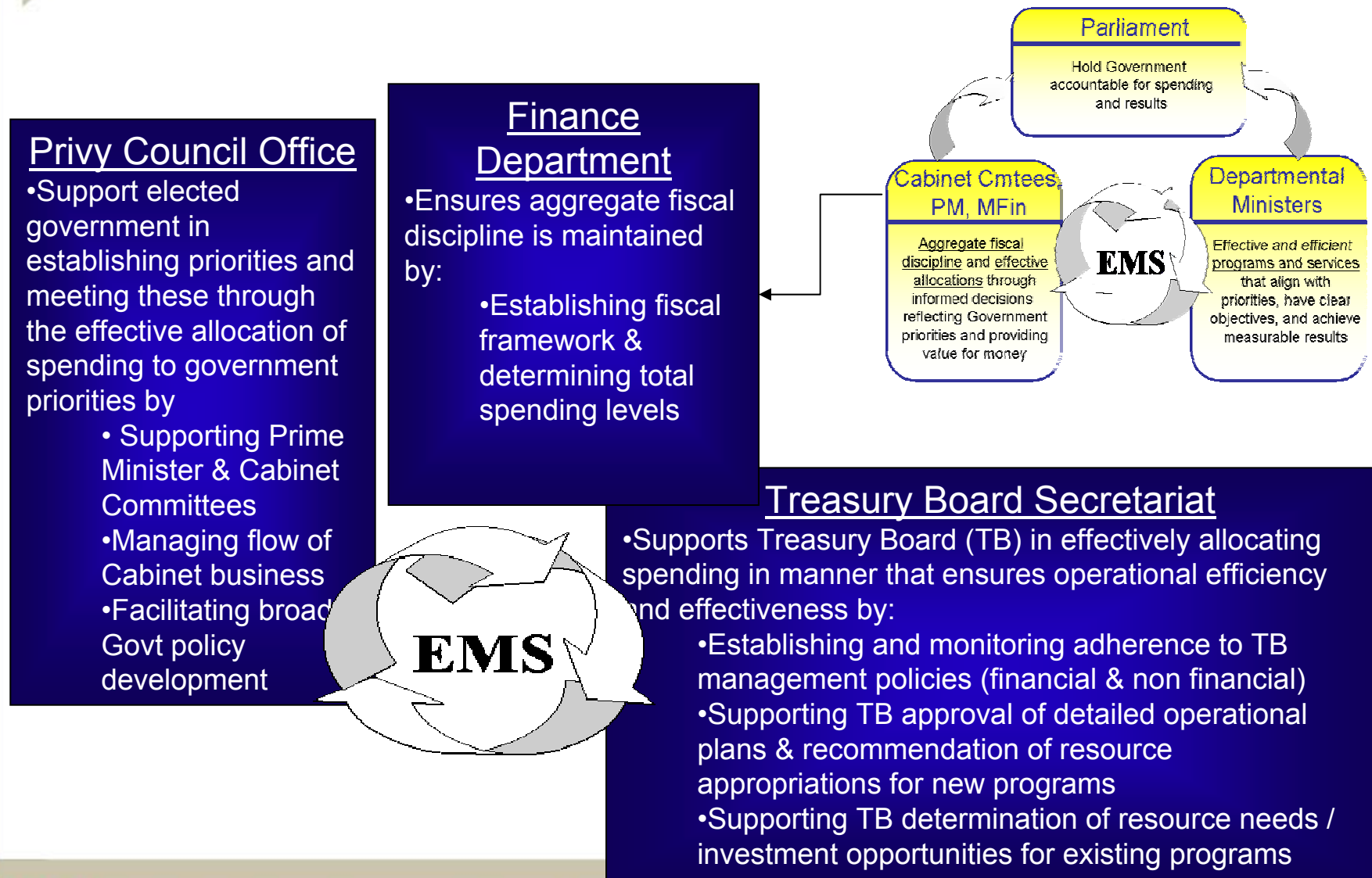
- TBS website: <http://www.tbs-sct.gc.ca/tbs-sct/index-eng.asp>
- Management Accountability Framework (MAF): http://www.tbs-sct.gc.ca/maf-crg/index_e.asp
- Tools and Resources for Parliamentarians: <http://www.tbs-sct.gc.ca/tbs-sct/audience-auditoire/parliamentarian-parlementaire-eng.asp>
- Whole-of-Government Planning and Performance: <http://www.tbs-sct.gc.ca/wgpp-prpg/>
- Management, Resources and Results Structure (MRRS) Policy: http://www.tbs-sct.gc.ca/pubs_pol/dcgpubs/mrrsp-psgrr/mrrsp-psgrr_e.asp
- Results-based Management: http://www.tbs-sct.gc.ca/rma/rbm-gar_e.asp
- Audit and Evaluation Database: http://www.tbs-sct.gc.ca/rma/database/aeve_e.asp
- Canada's Performance 2006-2007: <http://www.tbs-sct.gc.ca/reports-rapports/cp-rc/2006-2007/cp-rctb-eng.asp>
- 2007-2008 Guidelines for preparing RPPs and DPRs: http://www.tbs-sct.gc.ca/rpp/0708/guide/guide_e.asp
- Performance Reporting: Good Practices Handbook: http://www.tbs-sct.gc.ca/rma/dpr3/06-07/handbk-guide/gph-gbp_e.asp



Annex B– 2007 Strategic Review Organizations

- Canada Revenue Agency
- Canadian Food Inspection Agency
- Canadian Heritage
- Canadian International Development Agency
- Canadian Museum of Civilization
- Canadian Museum of Nature
- Finance Canada
- Canadian International Trade Tribunal
- Financial Transactions and Reports Analysis
- Foreign Affairs and International Trade
- International Development Research Centre
- Library and Archives of Canada
- National Gallery of Canada
- National Museum of Science and Technology
- Parks Canada Agency
- Statistics Canada
- Transport Canada

The Expenditure Management System in Canada is decentralized between central agencies, each with specific roles



Recent government budgets have committed to this new approach to managing overall spending



BUDGET 2006

**FOCUSING ON
PRIORITIES**

“The Government needs a new ongoing approach to managing overall spending to ensure that all government programs are effective and efficient, are focused on results, provide value for taxpayers’ money and are aligned with the Government’s priorities and responsibilities.”

BUDGET 2007



BUDGET 2007

ASPIRE TO A STRONGER, SAFER, BETTER CANADA

“The new Expenditure Management System will fundamentally change the way government operates. The objectives and outcomes of all spending programs will be clearly communicated to Canadians, demonstrating the value that they receive for their tax dollars.”

BUDGET 2008



BUDGET 2008

Responsible Leadership

“The Government is committed to delivering programs and services that are efficient and effective, aligned with the priorities of Canadians and affordable over the long term.”

Canada 