

OFFICE OF  
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BUREAU DU  
DIRECTEUR PARLEMENTAIRE DU BUDGET

# Updated Analysis of Performance Budgeting During Recent Fiscal Consolidation

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The mandate of the Parliamentary Budget Officer (PBO) is to provide independent analysis to Parliament on the state of the nation's finances, the Government's estimates and trends in the Canadian economy; and, upon request from a committee or parliamentarian, to estimate the financial cost of any proposal for matters over which Parliament has jurisdiction.

This report examines the influence of program performance on budgetary changes during the recent period of fiscal consolidation, from 2010-11 to 2013-14.

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## SUMMARY

The Parliamentary Budget Officer's (PBO) legislative mandate includes the responsibility to provide independent analysis to Parliament concerning the government's estimates.

Over the past five years, parliamentarians and the PBO have sought greater insight concerning spending restraint and the consequences of these spending decisions on service levels.

The government's expenditure management system intends to reallocate funds from low-priority and low-performing programs to higher-priority and better-performing programs.

As part of ongoing efforts to monitor the fiscal sustainability of recent spending restraint, the PBO has developed a multi-year framework to analyse spending, performance and relative operational efficacy using public performance and spending data. The purpose of the framework is to determine whether performance is a good predictor of budgetary changes.

The main conclusions of this report are:

- For fiscal years 2010-11 through 2013-14, no consistent statistically significant relationship exists between a department's performance and its budget growth in the subsequent year(s).
- The performance data for 108 organizations does not suggest that financial resources have been reallocated from low-performing to high-performing programs. Rather, low-performing programs were somewhat more likely, on average, to receive budget increases in the subsequent year than programs that met targets or did not present measurable performance data.

These findings are generally consistent with an earlier survey by the Organisation for Economic Co-operation and Development (OECD). It concluded that performance budgeting data among member countries were "less influential" on decision making during the fiscal consolidation that followed the Great Recession.

## 1 Context

The Parliamentary Budget Officer's (PBO) legislative mandate is to "provide independent analysis to the Senate and to the House of Commons about the state of the nation's finances, the estimates of the government and trends in the national economy".<sup>1</sup>

The estimates are part of the Expenditure Management System (EMS), an annual process renewed by the government in 2007 to develop and implement its spending plans within the limits established by the budget.

As part of this process, the government performs an ongoing review of all programs and services for business transformation opportunities to improve efficiency and effectiveness.<sup>2</sup>

The EMS is structured to reallocate funds from low-priority and low-performing programs to higher-priority and better-performing programs.

Non-financial data pertaining to expected and actual results of federal spending are a key input into the EMS. Under the *Policy on Management, Resources and Results Structures* (MRRS) each federal program is required to identify performance measures and results that are linked to the stated purpose of the program.<sup>3</sup> The MRRS indicates that these non-financial data are intended to support decision making regarding budgetary allocations.

Parliamentarians are responsible for reviewing and approving spending plans, which are supported by performance management information. Legislators invest significant time and effort each year to study the performance data presented in Part III of the Estimates (the Reports on Plans and Priorities and Departmental Performance Reports).

### Box 1-1: What is updated in this report?

PBO published *Analysis of Performance Budgeting During Recent Fiscal Consolidation* in August 2014.<sup>4</sup> This analysis updates that report with an additional year of federal government performance data (2013-14) and enhanced statistical methods.

Despite these additions, prior PBO findings remain relatively unchanged: overall government performance improved from 2012-13 to 2013-14, but there remains little evidence to suggest that financial resources were allocated from low-performing to high-performing programs during the recent period of federal fiscal consolidation. Factors other than program performance likely influenced budgetary changes.

Over the past five years, in an era of fiscal consolidation, parliamentarians and the PBO have sought greater insight regarding the decision-making process for restraint decisions. Specifically, the goal is to understand why certain programs have their funding reduced and eliminated, as well as the consequences of these funding decisions on service levels.

According to evidence published by the Organisation for Economic Co-operation and Development (OECD), many member countries reported that during the recent period of fiscal consolidation, performance data were "less influential" on budgetary decisions, compared to periods of fiscal expansion.<sup>5</sup>

In Canada, program performance is rarely the sole budgetary consideration, so this report analyses whether the OECD's general findings are specifically applicable to the Canadian

<sup>1</sup> <http://laws.justice.gc.ca/eng/PDF/P-1.PDF>.

<sup>2</sup> <http://www.tbs-sct.gc.ca/sr-es/index-eng.asp>.

<sup>3</sup> <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18218&section=text>.

<sup>4</sup> [http://www.pbo-dpb.gc.ca/files/files/Analysis%20of%20Performance%20Budgetin g\\_EN.pdf](http://www.pbo-dpb.gc.ca/files/files/Analysis%20of%20Performance%20Budgetin g_EN.pdf).

<sup>5</sup> [http://www.keepeek.com/Digital-Asset-Management/oecd/governance/budgeting-for-fiscal-space-and-government-performance-beyond-the-great-recession\\_budget-13-5jz2jw9t0pd3#page11](http://www.keepeek.com/Digital-Asset-Management/oecd/governance/budgeting-for-fiscal-space-and-government-performance-beyond-the-great-recession_budget-13-5jz2jw9t0pd3#page11).

federal context. This report assesses whether the historical performance of federal programs was a good predictor of resource allocation decisions during the Great Recession. It also tests whether, performance data are a good indicator of future resource allocations.

## 2 Methodology

The PBO has developed an analytical framework to compare information of program budgets, efficacy and efficiency using public information over a multi-year period. This framework categorizes and evaluates spending at the whole-of-government, thematic, department and program levels for a four-year period, from 2010-11 to 2013-14.

The framework provides a snapshot of the relationship between performance information and program spending, allowing for comparisons year-over-year, and over a longer-term trend.

### *Data sources*

The framework relies on financial and non-financial data provided to Parliament in Part III of the Estimates. Spending data is sourced from the Public Accounts of Canada from 2009-10 to 2013-14.<sup>6</sup> Performance data is taken from the Departmental Performance Reports of 108 federal organizations.<sup>7,8</sup> These reports comprise a key aspect of the estimates cycle and are tabled before Parliament by the President of the Treasury Board on behalf of ministers that preside over the appropriation-dependent departments.<sup>9</sup>

### *Analytical approach*

The PBO's analytical framework focuses on results reported by program. This is a grouping defined by related resource inputs within a department and activities that are managed to meet specific needs and to achieve intended results. Each federal organization may have

one or more program, which may be further segmented into one or more performance indicators/targets. Each performance indicator is evaluated relative to a performance target specified by the department, and presented to Parliament, at the outset of the year.

The PBO scored performance data in one of three ways:

**Met** – Targets that have been demonstrably and measurably met or exceeded within the evaluation year.

**Not Met** – Targets that have been demonstrably and measurably not met within the evaluation year.

**Not Applicable (N/A)** – Targets for which incomplete or unmeasurable evidence was provided.

The "N/A" categorization is not provided in government reports. However, it was required by the PBO to segment targets with incomplete information, immeasurable standards or other data shortcomings from targets that had clearly met or did not meet their respective target(s).

Aggregate performance results are reported in two different ways, each with its own benefits and drawbacks.

Program-weighted totals provide equal weight to each program in relative importance to the aggregate, irrespective of the number of targets comprising that particular program or department. For example, a program with four performance indicators/targets will have each target contribute one-fourth to its composite performance score in that year.<sup>10</sup> This is the primary approach used in this report. All figures presented are consistent with this method, unless otherwise stated.

Spending-weighted totals are also presented throughout the report, by allocating

<sup>6</sup> [http://epe.lac-bac.gc.ca/100/201/301/public\\_accounts\\_can/pdf/index.html](http://epe.lac-bac.gc.ca/100/201/301/public_accounts_can/pdf/index.html).

<sup>7</sup> <http://www.tbs-sct.gc.ca/rpp/index-eng.asp>.

<sup>8</sup> <http://www.tbs-sct.gc.ca/dpr-rmr/index-eng.asp>.

<sup>9</sup> <http://www.tbs-sct.gc.ca/ems-sgd/rc-cr-eng.asp>.

<sup>10</sup> For example, if a program met two targets, missed one target and did not provide complete information for one other, the composite performance score for that program would be (0.5 met, 0.25 not met and 0.25 N/A).

performance results to the cash spending associated with that program.

Statistics in this report are isolated to direct program spending (DPS) – programs delivered directly by the federal government. Direct program spending has been the primary focus of recent spending restraint and accounts for about 45 per cent of total program spending. It consists of operating and capital spending as well as subsidies and transfer payments, such as grants and contributions made to provinces and territories.

DPS excludes spending on major transfer programs such as the Canada Health Transfer, the Canada Social Transfer and Fiscal Equalization, which account for 25 per cent of total program spending. DPS also excludes major transfers to individuals (30 per cent of total program spending), such as elderly benefits, children's benefits and Employment Insurance benefits.<sup>11,12</sup>

### 3 Results

#### *Overview of performance trends*

Between 2010-11 and 2013-14, the government has met less than one half of its performance objectives: for about 42 per cent of programs and 47 per cent of spending (Figure 3-1). About 43 per cent of programs did not provide sufficient evidence to evaluate performance, representing about one-third of spending.<sup>13</sup>

Performance improved in 2013-14 after deteriorating somewhat from 2010-11 through 2012-13. In 2013-14, the proportion of targets met is at a four-year high (46 per cent), while the percentage of spending meeting

performance targets reached 50%, above the four-year average.

The share of program targets not met remains relatively stable, at 15 per cent per year, on average.

**Figure 3-1: Government Performance**

Percentage of total					
Program weighted					
	2010-11	2011-12	2012-13	2013-14	Average
Met	43%	42%	39%	46%	42%
Not Met	19%	14%	12%	16%	15%
N/A	38%	44%	49%	38%	43%
Spending weighted					
	2010-11	2011-12	2012-13	2013-14	Average
Met	51%	45%	45%	50%	47%
Not Met	22%	23%	18%	21%	21%
N/A	27%	33%	37%	29%	32%

Sources: Office of the Parliamentary Budget Officer; Government of Canada.

The government classifies spending into four areas:<sup>14</sup>

- Economic Affairs
- Social Affairs
- International Affairs
- Government Affairs

Each spending area combines a subset of smaller thematic areas intended to link financial and non-financial inputs with government outputs (Figures 3-2 and 3-3).

Direct program spending is distributed roughly evenly through the four spending areas, ranging from about 30 per cent on social affairs to 20 per cent on government operations.<sup>15</sup>

<sup>11</sup> <http://www.tbs-sct.gc.ca/sr-es/faq-eng.asp#q7>.

<sup>12</sup> <http://www.budget.gc.ca/2015/docs/plan/ch5-2-eng.html#wb-cont>.

<sup>13</sup> Each department defines expected results for all of its spending, measures performance against these anticipated results and sets a standard of performance against best practices. The difficulty in meeting performance targets may vary across programs and departments, and results in this analysis should be interpreted accordingly. <http://www.tbs-sct.gc.ca/ems-sgd/exms-sygd-eng.asp>.

<sup>14</sup> <http://www.tbs-sct.gc.ca/ppg-cpr/descript-eng.aspx>.

<sup>15</sup> The 2010-11 fiscal year featured economic stimulus spending (e.g. the \$2.5 billion infrastructure stimulus fund) which was temporary in nature, accounting for part of the estimated \$7 billion decline in economic affairs spending from 2010-11 to 2012-13.

**Figure 3-2: Thematic Spending Trends**

Percentage of total direct program spending

	2010-11	2011-12	2012-13	2013-14	Average
<b>Economic</b>	<b>34</b>	<b>27</b>	<b>24</b>	<b>23</b>	<b>27</b>
Strong economic growth	16	12	12	11	13
An innovative and knowledge-based economy	7	7	7	6	7
A clean and healthy environment	3	3	3	3	3
Income security and employment for Canadians	8	4	2	2	4
A fair and secure marketplace	1	1	1	1	1
<b>Social</b>	<b>27</b>	<b>27</b>	<b>33</b>	<b>33</b>	<b>30</b>
A safe and secure Canada	9	9	13	11	10
A diverse society that promotes linguistic duality and social inclusion	10	10	10	11	10
Healthy Canadians	7	7	6	7	7
A vibrant Canadian culture and heritage	1	1	4	4	3
<b>International</b>	<b>20</b>	<b>25</b>	<b>24</b>	<b>24</b>	<b>23</b>
A safe and secure world through international engagement	17	21	20	20	19
Global poverty reduction through international sustainable development	2	4	3	3	3
A prosperous Canada through global commerce	-	-	-	-	-
A strong and mutually beneficial North American partnership	-	-	-	-	-
<b>Government</b>	<b>19</b>	<b>20</b>	<b>20</b>	<b>21</b>	<b>20</b>
Well-managed and efficient government operations	17	18	18	19	18
A transparent, accountable and responsive federal government	2	2	1	1	2
Strong and independent democratic institutions	-	-	-	-	-

Sources: Office of the Parliamentary Budget Officer; Government of Canada.

Note: Some direct program spending is not allocated to the program alignment architecture or whole-of-government framework and is excluded from these figures. These amounts range from less than 1 per cent of direct program spending in 2012-13 to 7 per cent in 2010-11. Totals may not add due to rounding.

**Figure 3-3: Thematic Performance Trends**

Percentage of targets met

	2010-11	2011-12	2012-13	2013-14	Average
<b>Economic</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>57</b>	<b>55</b>
Strong economic growth	50	51	51	52	51
An innovative and knowledge-based economy	62	59	54	56	58
A clean and healthy environment	39	37	60	60	49
Income security and employment for Canadians	74	63	75	60	68
A fair and secure marketplace	54	68	47	74	61
<b>Social</b>	<b>44</b>	<b>50</b>	<b>45</b>	<b>52</b>	<b>48</b>
A safe and secure Canada	37	55	45	56	48
A diverse society that promotes linguistic duality and social inclusion	49	43	47	44	46
Healthy Canadians	54	47	46	51	49
A vibrant Canadian culture and heritage	48	45	43	50	46
<b>International</b>	<b>48</b>	<b>53</b>	<b>38</b>	<b>58</b>	<b>49</b>
A safe and secure world through international engagement	56	51	42	62	53
Global poverty reduction through international sustainable development	0	0	5	7	3
A prosperous Canada through global commerce	73	69	52	85	70
A strong and mutually beneficial North American partnership	25	63	50	83	55
<b>Government</b>	<b>44</b>	<b>38</b>	<b>36</b>	<b>40</b>	<b>40</b>
Well-managed and efficient government operations	38	34	32	34	35
A transparent, accountable and responsive federal government	60	51	52	60	56
Strong and independent democratic institutions	36	33	28	28	31

Sources: Office of the Parliamentary Budget Officer; Government of Canada.

Notes: Each program is equally-weighted within thematic categories, irrespective of the number of program performance targets.  
Totals may not add due to rounding.



Performance was strongest in economic affairs, and notably weaker in government operations and global poverty reduction. Foreign Affairs, Trade and Development commonly failed to provide targets on which to benchmark the performance in global poverty reduction.<sup>16</sup>

*Predictive Value*

As noted earlier, spending and performance are managed at the program level across the whole of government to ensure funding is allocated to high-priority and better-performing programs.

While the government’s priorities cannot be identified using this framework, low-performing programs are identifiable.<sup>17</sup>

The PBO analysed whether programs reporting low performance were observed to experience larger than average budget decreases or a higher likelihood of outright elimination.

From 2010-11 to 2013-14, the prior year’s performance did not strongly influence budget changes; as programs were more likely to receive a budget increase, on average, whether performance targets were met or not met. Only programs that failed to provide measurable performance data were more likely to receive budget reductions in the subsequent year (Figure 3-4).

**Figure 3-4: Prior Year’s Performance Impact on Program Budget: 2010-2011 to 2013-14**

Percentage of total			
	Budget Increase	Budget Decrease	Difference
Met	44%	42%	2%
Not Met	16%	14%	2%
N/A	39%	44%	-4%

Sources: Office of the Parliamentary Budget Officer; Government of Canada.

In addition, performance did not have a strong influence on program termination. About three-quarters of discontinued programs (programs defined as those that once, but no longer receive funding) either met performance targets or did not provide measurable performance data in the preceding year (Figure 3-5).

**Figure 3-5: Prior Year’s Performance Impact Program Termination: 2010-2011 to 2013-14**

Percentage of total		
	Terminated	Average
Met	43%	42%
Not Met	23%	15%
N/A	34%	43%

Sources: Office of the Parliamentary Budget Officer; Government of Canada.

No meaningful statistical relationship exists between a department’s or program’s performance and its budget growth in the subsequent year (Figures 3-6, 3-7 and 3-8).

In addition to basic performance and budget correlations, the PBO evaluated the influence of key observable variables on budgetary changes from 2010-11 to 2013-14, including:

**Program performance in the prior year –** strong (weak) performance in the prior year should correlate with budget increases (decreases) in the subsequent period as the government attempts to reallocate financial resources from low- to high-performing programs and departments.<sup>18</sup>

**Program performance two and three years’ prior –** because of potential information delays, program performance could influence budgetary decisions beyond one fiscal year.

<sup>16</sup> Formerly the Canadian International Development Agency.

<sup>17</sup> Low- and high- performing programs and departments are classified according to the percentage of performance targets met in the three-year evaluation period. Bottom 20 per cent programs (departments) are considered low-performing, and top 20 per cent programs (departments) are considered high performing.

<sup>18</sup> Despite the stated purpose of the EMS to re-allocate funding from low- to high-performing programs, PBO acknowledges that in some instances weak performance may consciously lead to budgetary increases to address observed performance shortfalls or a perceived lack of financial resources.

**Program budget size** – in the United States, the General Accounting Office (2004) and Gilmour and Lewis (2010) found that large, well established programs are less likely to be affected by program assessments because of inertia, political support and program history.<sup>19,20</sup>

**Spending and thematic area** – the government’s EMS is structured to reallocate funds from low-priority and low-performing programs to higher-priority and better-performing programs. Spending and theme categories can be used as proxies to control for areas of policy emphasis and spending review focus.

Despite these controls, the PBO found that program performance had no statistically significant impact on budgets in subsequent years at the department or program level for any of the four years examined.

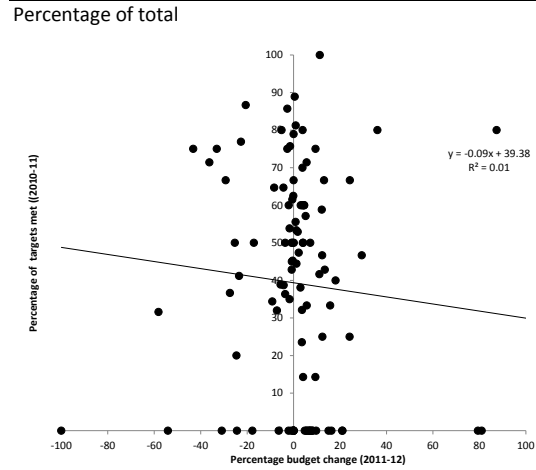
This suggests that recent program performance was not a strong determinant of program budget changes year-over-year. It also suggests that non-performance factors explain the preponderance of budgetary changes from 2010-11 to 2013-14.

This is consistent with OECD findings, which found that performance data were generally not consulted in implementing recent fiscal consolidation.

Given these results, it cannot be concluded that the recent period of fiscal consolidation has effectively and efficiently reallocated government funds away from low-performing programs. Nor have low-performing programs been targeted for funding termination.

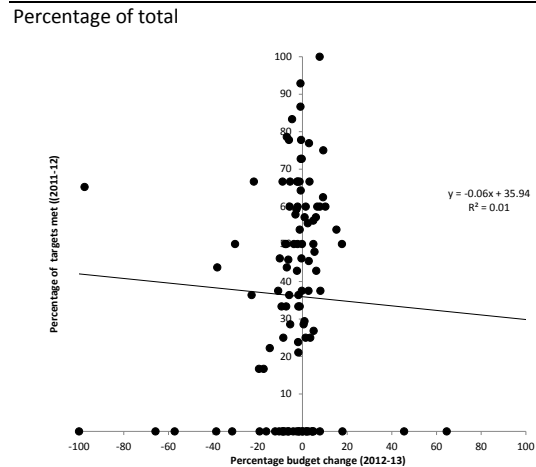
Detailed regression results are presented in Annex A.

**Figure 3-6: 2010-11 Performance Impact on 2011-12 Department Budget**



Sources: Office of the Parliamentary Budget Officer; Government of Canada.

**Figure 3-7: 2011-12 Performance Impact on 2012-13 Department Budget**



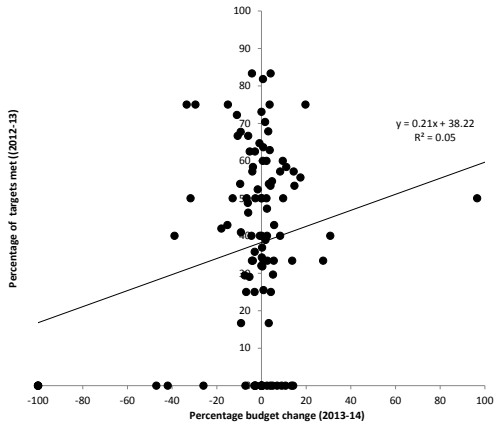
Sources: Office of the Parliamentary Budget Officer; Government of Canada.

<sup>19</sup> General Accounting Office, Observations on the use of OMB’s program assessment rating tool for the fiscal year 2004 budget. <http://www.gao.gov/assets/250/241315.pdf>.

<sup>20</sup> Gilmour, J. and D.E. Lewis, Assessing Performance Budgeting at OMB: The Influence of Politics, Performance, and Program Size. *Journal of Public Administration Research and Theory*, April 2006, 16(2).

**Figure 3-8: 2012-13 Performance Impact on 2013-14 Department Budget**

Percentage of total



Sources: Office of the Parliamentary Budget Officer;  
Government of Canada.

**Annex A – Supplementary findings**

**Figure A-1: Regression model results – 2010-11**

	Ordinary Least Squares				Probit	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
<b>Performance</b>						
% of targets met (t-1)	-0.05 (-0.06)	-0.05 (-0.06)	-0.02 (0.06)		-0.05 (0.16)	
% of targets not met (t-1)	0.03 (0.08)	0.06 (0.08)	0.02 (0.07)		0.12 (0.21)	
% of targets met (t-2)						
% of targets not met (t-2)						
<b>Other (dummy variables: 0,1)</b>						
Budget \$>200m		0.15** (0.06)	-0.01 (0.03)			
Major categories						
Government		0.02 (0.07)			0.01 (0.15)	
International		0.01 (0.08)			0.57** (0.29)	
Social		0.03 (0.09)			0.02 (0.15)	
Minor categories						
Strong economic growth			-0.04 (0.04)			
Income security and employment...			-0.02 (0.08)			
An innovative and knowledge-based economy			0.08 (0.06)			
A clean and healthy environment			0.10* (0.05)			
A diverse society...			-0.03 (0.06)			
A safe and secure Canada			0.04 (0.04)			
Healthy Canadians			0.11** (0.05)			
Global poverty reduction...			0.39** (0.17)			
A safe and secure world...			-0.01 (0.06)			
Well-managed and efficient government operations			0.01 (0.04)			
<b>Constant</b>	0.04 (0.04)	0 (0.06)	-0.01 (0.06)		0.16 (0.15)	
N	387	387	186		456	
F (2,384)	0.62	1.34	1.51			
R-squared	0.01	0.02	0.11			

Source: Office of the Parliamentary Budget Officer.

**Figure A-2: Regression model results – 2011-12**

	Ordinary Least Squares				Probit	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
<b>Performance</b>						
% of targets met (t-1)	-0.09 (0.06)	-0.09 (0.06)	0.07 (0.07)		0.26* (0.15)	
% of targets not met (t-1)	-0.01 (0.09)	-0.01 (0.09)	0.10 (0.08)		0.37* (0.22)	
% of targets met (t-2)				0.00 (0.08)		0.12 (0.16)
% of targets not met (t-2)				-0.05 (0.1)		0.20 (0.21)
<b>Other (dummy variables: 0,1)</b>						
Budget \$>200m		-0.02 (0.06)	-0.06* (0.03)	-0.06* (0.03)		
<b>Major categories</b>						
Government		0.02 (0.06)			0.17 (0.15)	0.42** (0.15)
International		0.04 (0.11)			0.43* (0.24)	0.27 (0.27)
Social		0.01 (0.07)			0.46** (0.15)	0.30** (0.15)
<b>Minor categories</b>						
Strong economic growth			-0.02 (0.04)	-0.03 (0.04)		
Income security and employment...			0.03 (0.08)	0.01 (0.09)		
An innovative and knowledge-based economy			0.02 (0.05)	0.02 (0.05)		
A clean and healthy environment			0.02 (0.07)	0.02 (0.07)		
A diverse society...			-0.03 (0.06)	-0.03 (0.07)		
A safe and secure Canada			0.04 (0.04)	0.03 (0.05)		
Healthy Canadians			0.00 (0.05)	0.00 (0.05)		
Global poverty reduction...			0.00 (0.00)	0.00 (0.00)		
A safe and secure world...			-0.01 (0.07)	0.01 (0.08)		
Well-managed and efficient government operations			0.05 (0.04)	0.05 (0.04)		
<b>Constant</b>	0.02 (0.04)	0.01 (0.06)	-0.06 (0.06)	0.01 (0.08)	-0.14 (0.14)	-0.37** (0.15)
N	408	408	159	159	479	456
F (2,405)	1.11	0.87	0.63	0.75		
R-squared	0.01	0.01	0.01	0.06	0.02	0.01

Source: Office of the Parliamentary Budget Officer.

**Figure A-3: Regression model results – 2012-13**

	Ordinary Least Squares				Probit	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
<b>Performance</b>						
% of targets met (t-1)	0.09 (0.04)	0.06 (0.04)	-0.02 (0.06)		0.26* (0.14)	
% of targets not met (t-1)	0.04 (0.07)	0.02 (0.07)	0.02 (0.06)		0.25 (0.23)	
% of targets met (t-2)				-0.02 (0.06)		0.27 (0.15)
% of targets not met (t-2)				0.01 (0.07)		0.43** (0.22)
<b>Other (dummy variables: 0,1)</b>						
Budget \$>200m		0.06 (0.04)	0.05* (0.03)	0.05* (0.03)		
<b>Major categories</b>						
Government		-0.07 (0.04)			-0.25* (0.15)	0.02 (0.15)
International		-0.08 (0.07)			-0.23 (0.23)	-0.02 (0.25)
Social		0.00 (0.04)			0.13 (0.14)	0.41** (0.15)
<b>Minor categories</b>						
Strong economic growth			0.07* (0.04)	0.07* (0.04)		
Income security and employment...			-0.10 (0.07)	-0.10 (0.07)		
An innovative and knowledge-based economy			-0.02 (0.04)	-0.02 (0.04)		
A clean and healthy environment			-0.04 (0.06)	-0.04 (0.06)		
A diverse society...			-0.05 (0.05)	-0.05 (0.05)		
A safe and secure Canada			-0.04 (0.03)	-0.04 (0.03)		
Healthy Canadians			-0.03 (0.04)	-0.04 (0.05)		
Global poverty reduction...			0.00 (0.00)	0.00 (0.00)		
A safe and secure world...			0.00 (0.06)	0.00 (0.06)		
Well-managed and efficient government operations			-0.06 (0.04)	-0.06 (0.04)		
<b>Constant</b>	-0.07 (0.03)	-0.04 (0.04)	0.02 (0.05)	0.02 (0.05)	-0.34** (0.13)	-0.69** (0.14)
N	485	485	187	187	528	479
F (2,482)	2.21	1.77	0.55	0.57		
R-squared	0.01	0.02	0.06	0.06	0.02	0.03

Source: Office of the Parliamentary Budget Officer.

**Figure A-4: Regression model results – 2013-14**

	Ordinary Least Squares				Probit	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
<b>Performance</b>						
% of targets met (t-1)	0.01 (0.03)	0.00 (0.04)	0.05 (0.07)		-0.06 (0.16)	
% of targets not met (t-1)	-0.07 (0.05)	-0.08 (0.05)	0.06 (0.07)		0.01 (0.21)	
% of targets met (t-2)				0.09 (0.06)		0.16 (0.14)
% of targets not met (t-2)				0.12 (0.07)		0.09 (0.23)
<b>Other (dummy variables: 0,1)</b>						
Budget \$>200m		-0.02 (0.03)	0.00 (0.03)	0.00 (0.03)		
Major categories						
Government		-0.01 (0.04)			-0.20 (0.16)	0.04 (0.14)
International		0.02 (0.06)			-0.39 (0.25)	-0.13 (0.23)
Social		0.02 (0.04)			-0.13 (0.16)	-0.07 (0.14)
Minor categories						
Strong economic growth			-0.04 (0.04)	-0.03 (0.04)		
Income security and employment...			0.01 (0.07)	0.02 (0.07)		
An innovative and knowledge-based economy			0.08 (0.06)	0.08 (0.06)		
A clean and healthy environment			0.09* (0.05)	0.09 (0.05)		
A diverse society...			-0.03 (0.06)	-0.02 (0.06)		
A safe and secure Canada			0.03 (0.04)	0.03 (0.04)		
Healthy Canadians			0.11** (0.05)	0.12** (0.05)		
Global poverty reduction...			0.40** (0.17)	0.45** (0.17)		
A safe and secure world...			-0.03 (0.06)	-0.02 (0.06)		
Well-managed and efficient government operations			0.02 (0.04)	0.02 (0.04)		
<b>Constant</b>	0.01 (0.02)	0.02 (0.04)	-0.07 (0.06)	-0.11* (0.06)	0.19 (0.16)	-0.24* (0.13)
N	409	409	198	198	437	528
F (2,406)	1.39	0.59	1.42	0.07		
R-squared	0.01	0.01	0.1	0.11	0.01	0

Source: Office of the Parliamentary Budget Officer.

## Annex B – Background

The Government of Canada’s evaluation policy has evolved on many occasions since it debuted in 1977, progressing toward the current framework, the Expenditure Management System (EMS). Historically, the government had an incremental approach to budget making.

That is, annual increases in the government’s planned spending were added without reference to the performance of existing programs in the base (OECD 2008).

The EMS included more performance information in the budget-making process and increased the emphasis on decision making supported by planned and actual results.<sup>21</sup>

The consequences and results of these decisions are reflected in departmental budgets and priorities, and are reported within each department’s Report on Plans and Priorities and Departmental Performance Report.

Each department segments its priorities and responsibilities into programs, each with one or more measureable performance indicators. These data are the primary, publicly-available link between spending inputs and performance outcomes on a government-wide basis.

One element of the EMS process that has been a recent government focus during the period of fiscal consolidation is spending review. As part of the EMS, all government programs follow a periodic evaluation process called strategic review, with an objective of ensuring value for money.

### Box B-1: Revenue and Expenditure Review Mechanisms

The government’s spending review and realignment has taken place using a number of evaluation frameworks, each with unique guiding principles:

- **Strategic review:** federal departments and agencies assessed all spending to identify the lowest-priority and lowest-performing programs.
- **Administrative review:** identified opportunities to consolidate administrative functions, achieve savings and improve service delivery.
- **Ongoing assessment of grants and contributions** sought to further government priorities and achieve results.
- **Corporate Asset Management Review:** Ongoing review to improve efficiency and effectiveness and reallocate financial resources from low to high priorities.
- **Tax loopholes** initiatives.
- Departmental **operating budget freezes** placed increased focus on improving the efficiency of departments’ internal operations and administration.

<sup>21</sup> <http://www.tbs-sct.gc.ca/sr-es/faq-eng.asp#q1>.



While summary strategic review results are published in the government's annual budget, this information is not generally isolated for reporting in key budgeting documents such as Reports on Plans and Priorities and Departmental Performance Reports.

All departments must undertake strategic reviews on their program spending and the operating costs of major statutory programs. Reviews demonstrate whether programs provide value-for-money, through assessment of program relevance, effectiveness and efficiency.<sup>22</sup>

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<sup>22</sup> <http://www.tbs-sct.gc.ca/sr-es/faq-eng.asp#q1>.