

Intelligence MEMOS



From: William B.P. Robson and Miles Wu
To: Finance Minister Chrystia Freeland
Date: December 13, 2021
Re: **MORE RELIABLE BUDGETS: OTTAWA SHOULD LEAD THE WAY**

With preparations for the 2022 federal budget under way, the transparency and reliability of the federal government's financial documents should be front of mind.

Size alone makes the federal government uniquely important among Canada's senior governments. It spent \$374 billion in 2019/20 – the most recent fiscal year for which it has published results – and the response to the COVID-19 pandemic drove that number dramatically up. The federal government's weight in government borrowing and its implications for sustainability of national finance also make it critical. By the end of the upcoming fiscal year, its debt – the accumulated deficit – will have doubled from 2019/20.

These are only two of the reasons for wanting the federal government to set high standards for transparency, reliability, and timeliness of its budgets and finance statements – the information legislators and citizens need to understand and influence its stewardship of public funds.

Lately, it has fallen badly short. Ottawa earned an F in the C.D. Howe Institute's latest [report](#) on the fiscal accountability of federal, provincial and territorial governments.

Critical to that grade was Ottawa's failure – an unprecedented fall-down – to produce a budget in 2020. But the quality and timeliness of federal financial statements was already sliding. The federal government earned an A- as recently as 2017. Judging from what we have seen lately, its grade in 2022 will be C. A passing grade, but far below where the federal government should be.

The 2022 budget can take two key steps toward an A.

One would be to put the key numbers up front, where they are easy for readers to find and identify. Federal budgets are uniquely bad among Canada's senior governments for burying these numbers – on page 319 in 2018, page in 2019, and page 329 in 2021.

The contrast with the annual financial report the federal government publishes at the end of the year is stark. In it, the big picture is on page 14. Many provinces put the key numbers within the first 10 pages of their budgets – a service to readers, and a demonstration that they take their fiscal frameworks serious. The federal budget should do the same.

Timeliness of federal documents is another area where the federal government should improve.

While it presented a budget for the current fiscal year, that did not happen until mid-April, more than two weeks after the start of the fiscal year. It makes no sense for a government to approve of their budget after the fiscal year has started, and spending had already begun.

At the other end of the fiscal year, the 2019-20 public accounts, did not appear until the last day of November. The 2020/21 public accounts are still not out, and we are well into December. Most provinces and territories publish their results much earlier, and the federal government used to be faster. Canadians and their elected representatives should be getting this information while it is more timely.

This is not about whether the federal government spends too much, or too carelessly. Those are topics for another day. Transparent, reliable, timely budgets and financial statements are key foundations for addressing them. Those are areas where the federal government can and should do better. The 2022 budget is a good place to start.

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