

The Federal Budget Process in Canada

Department of Finance Canada
December 15, 2020



Department of Finance
Canada

Ministère des Finances
Canada

Canada

Department of Finance Canada - Overview

Responsibilities of the Minister of Finance include:

- ☐ Federal fiscal policy and tax policy
- ☐ System of federal transfers to provinces and territories (e.g., the Canada Health Transfer, Canada Social Transfer, Equalization and Territorial Formula Financing) (over \$79 billion, or 3.4% of GDP in 2019-20)
- ☐ Management of federal borrowing, regulation of financial sector policies; international responsibilities with respect to international trade, finance and development
- ☐ Preparation of the Budget (usually February or March) and Update (usually October or November)

The Federal Budget

Sets government policy and presents the economic outlook and fiscal forecast (usually 5-year planning horizon)

- ☐ Prepared by the Department of Finance; based on proposals from all Ministers
- ☐ Main vehicle for the government to communicate its policy agenda, including changes to tax policy for present and future years and provides funding for new spending measures
- ☐ Provides a detailed economic outlook and projected expenditures, revenues, budgetary balance and financial requirements over the budget horizon

Decision-Making Context

Budget (and Update) decisions are anchored by Canada's economic and fiscal outlook

Economic Outlook



Fiscal Outlook

- Informed by a survey of private sector economic forecasters (since 1994) to help ensure **objectivity** and **transparency**
- Baseline projection of federal expenses, revenues and budgetary balance informs budget decision-making

Latest Update (Nov 30, 2020): Canada.ca/Fall-Economic-Statement

Supporting Canadians and Fighting COVID-19

Fall Economic Statement 2020

Canada's plan to fight the COVID-19 pandemic, support Canadians, and invest in a recovery that is inclusive, sustainable, and creates good jobs for Canadians.



Decision-Making Process

The Budget is a dynamic exercise mobilizing a variety of players.

☐ Citizens and Stakeholders

- Elections set key platform commitments informing budget priorities
- Pre-budget consultations provide a forum for civil society, industry and other input

☐ Ministers

- Ministers make budget proposals related to their portfolios
- Minister of Finance and Prime Minister set the policy and fiscal direction; make final budget decisions

☐ Parliament of Canada

- Parliament approves the Budget motion and *Budget Implementation Act*

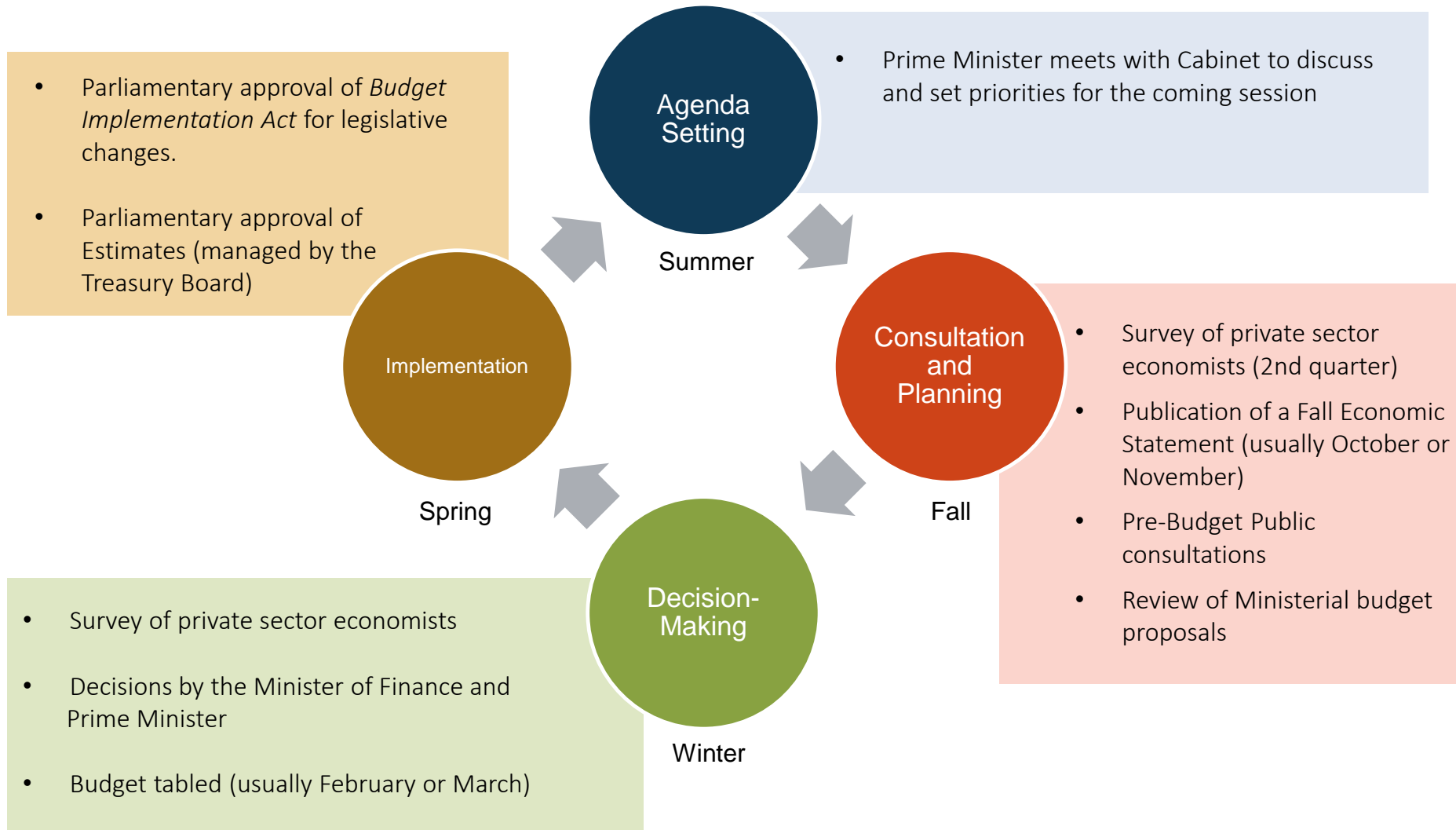
Legislative Process

In Canada, all federal expenditures are enabled by law in one form or another.

- ❑ The ***Budget Implementation Act*** (BIA) enacts the necessary legislative changes required to implement budget decisions
 - E.g., New or amended tax rules, changes to transfers to persons and other levels of government

- ❑ The **Estimates** Process is the mechanism for Parliament to approve departmental funding proposed in the budget through Appropriation Acts
 - Supported by the Treasury Board, which approves departmental funding, based largely on the parameters set out in the budget

Budget Cycle



Additional Considerations: Performance Budgeting

Budget Proposals are to include:

- ☐ For **existing** initiatives seeking renewal and/or expansion – overview of results achieved to date, including findings from relevant horizontal and program specific evaluations and audits
- ☐ For **new** and **existing** initiatives – detailed overview of expected outcomes, with identification of indicators, including impacts on gender and diversity, environment and (as of the 2021 cycle), quality of life

Results achieved and expected outcomes are key considerations in budget decision-making

Additional Considerations: Gender Budgeting

Canadian approach to gender budgeting

- ☐ Grounded in legislation: *Canadian Gender Budgeting Act* (December 2018)
- ☐ Gender and diversity impacts inform individual budget decisions and equality outcomes inform budget priority-setting
- ☐ The budget plan is assessed from a Gender-Based Analysis Plus (GBA+) perspective



- Starting with Budget 2019, inclusion of a Gender Report that presents GBA+ impacts for all announced Budget measures
- Assessment of GBA+ impacts included for all measures of Canada's COVID-19 Economic Response Plan (2020-21 accrual cost = 12.6% of GDP) in the 2020 Economic and Fiscal Snapshot (July) and Fall Economic Statement 2020 (November)