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CANADA

**CHAPTER 1, CANADA'S ECONOMIC ACTION
PLAN, OF THE FALL 2011 REPORT OF THE
AUDITOR GENERAL OF CANADA**

**Report of the Standing Committee on
Public Accounts**

**David Christopherson, MP
Chair**

DECEMBER 2012

41st PARLIAMENT, 1st SESSION



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THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

has the honour to present its

TENTH REPORT

Pursuant to its mandate under Standing Order 108(3)(g), the Committee has studied the Chapter 1, Canada's Economic Action Plan, of the Fall 2011 Report of the Auditor General of Canada and has agreed to report the following:

INTRODUCTION

In order to respond to the effects of a severe global economic crisis, the federal government introduced “Canada’s Economic Action Plan” (EAP) in Budget 2009. The EAP involved \$47 billion in federal spending, along with \$14 billion from provinces, territories, and municipalities. The objectives of this funding were to maintain existing jobs, create new jobs, build infrastructure, accelerate housing construction, stimulate spending by Canadians, and support businesses and communities. The EAP involved 35 federal departments and agencies delivering 90 programs.

The Office of the Auditor General of Canada (OAG) conducted two audits of the EAP. The first, reported to Parliament in October 2010, examined program design and delivery mechanisms put in place by selected federal departments and agencies to implement the EAP. In its *Fall 2011 Report*, the Office of the Auditor General (OAG) presented a second performance audit on the EAP.¹ This audit examined how the federal government accounted to Parliament and Canadians, specifically whether selected federal departments and agencies had:

- monitored project progress, including whether projects were being completed as intended, and had taken corrective action where necessary;
- monitored federal spending for selected Economic Action Plan programs; and
- reported to Parliament through departmental performance reports on progress and actual spending for selected programs.

The audit looked at three EAP programs that comprised a total value of \$7 billion out of the \$47 billion allocated: the \$4 billion Infrastructure Stimulus Fund, the \$2 billion Knowledge Infrastructure Program, and the \$1 billion Community Adjustment Fund.

¹ Auditor General of Canada, *Fall 2011 Report*, Chapter 1, “Canada’s Economic Action Plan” (Ottawa, 2011).

The Committee held a hearing on this audit on March 13, 2012.² The Office of the Auditor General of Canada was represented by Ronnie Campbell, Assistant Auditor General, and John Affleck, Principal. The Department of Industry was represented by Robert Dunlop, Assistant Deputy Minister, Science and Innovation Sector, and Shane Williamson, Director General, Program Coordination Branch, Science and Innovation Sector. Infrastructure Canada was represented by Taki Sarantakis, Assistant Deputy Minister, Policy and Communications Branch, and Natasha Rascanin, Assistant Deputy Minister, Program Operations Branch. Treasury Board Secretariat was represented by David Enns, Deputy Assistant Secretary, Expenditure Management, and Amanda Jane Preece, Executive Director, Results Based Management Division. The Department of Finance was represented by Douglas Nevison, General Director, Economic and Fiscal Policy Branch, and Elisha Ram, Director, Microeconomic Policy Analysis. Lastly, the Privy Council Office was represented by Rick Stewart, Assistant Secretary to the Cabinet, Liaison Secretariat for Macroeconomic Policy.

MONITORING PROGRESS AND SPENDING

In order to provide stimulus to the economy during the economic downturn, the federal government needed to ensure that federal spending was provided in a timely manner. The government had to mitigate the risks of doing so by tracking the progress and costs of projects. The OAG looked at the processes put in place by federal departments and agencies to monitor the progress of projects and track government spending.

The OAG found that the departments and agencies responsible for administering the EAP programs audited collected project information that allowed them to take corrective action if projects were not functioning as planned. For example, Infrastructure Canada initially assessed risk for every project tied to the Infrastructure Stimulus Fund and then used the information provided by its funding partners (provinces, territories and some large municipalities managed most projects) to reassess project risk every

² House of Commons, Standing Committee on Public Accounts, *Evidence*, 1st Session, 41st Parliament, March 13, 2012, Meeting 33.

quarter. When Infrastructure Canada deemed corrective action to be appropriate, it enhanced monitoring for projects and redirected funding to new projects from others that were delayed, under budget, or cancelled, so that funds did not go underutilized. Redirected funding was used to fund 42 additional projects on December 20, 2010, on the condition that they were completed by March 31, 2011. The OAG confirmed that these newly approved projects met eligibility criteria. Of the 42 additional projects, 34 opted to take advantage of the extension to October 31, 2011.

Federal funding for EAP projects came with the requirement that the projects were to be completed by March 31, 2011. However, progress on many projects was slower than initially expected. Departments and agencies delivering the three programs that the OAG audited reported that 4,070 out of 5,845 projects (70%) were completed by the March 31, 2011 deadline.

On December 2, 2010, the Prime Minister announced that the government would extend the funding deadline to October 31, 2011 for four EAP infrastructure funds. Almost one third of projects in the two largest programs examined by the OAG were granted an extension to the new deadline. The OAG determined that the decision to extend the time frames of these programs was supported by an analysis conducted by the Privy Council Office and the Department of Finance Canada. This included consideration of information on project progress, the risk of stopping federal funding before the EAP investments could be completed, and the strength of the economic recovery in Canada and globally.

The OAG's review of spending figures provided by the departments and agencies as of March 31, 2011 indicated that the three programs had largely achieved the EAP's objective to spend federal resources within a two-year time frame. However, total federal spending for all three programs was not known at the time of the audit as projects were to submit final claims and close-out reports to the federal entities after the audit period ended.

Departmental officials described to the Committee the efforts that they had taken to deliver the EAP programs. Taki Sarantakis, Assistant Deputy Minister at Infrastructure Canada, told the Committee about the preparation process:

[F]irst and foremost there was an expedited approval process, so the memorandum to cabinet and the Treasury Board submission were done very rapidly. I think that was in large part due to the tremendous cooperation we had from our colleagues at the Department of Finance, who very much worked with us in a collaborative way so that when the budget was presented in January 2009 we had a very good idea of what was going to be in the budget, and we could produce our materials very quickly. That was the bulk of our preparation.³

Robert Dunlop, Assistant Deputy Minister at Industry Canada, spoke of the support his department received from other departments and outside experts:

We had our unique challenges at Industry Canada, in that we had never run an infrastructure program before, so we had some basic set-up to do that others didn't. We got tremendous support from Infrastructure Canada, which took us through some of the unique requirements of running an infrastructure program. As the Auditor General noted, we also reached outside and hired expertise in monitoring construction activities and that kind of thing, which we didn't have internally. We also depended on our regional staff to follow individual projects and report back, as well as the engineering company that we had engaged.⁴

David Enns, Deputy Assistant Secretary at Treasury Board of Canada Secretariat, described how central agencies worked to expedite the approval process:

Treasury Board, in consultation with our central agency colleagues, investigated the possibility of seeking both policy and Treasury Board approvals roughly at the same time to expedite the approval process. We took a risk-based approach and speeded up our approvals process, working with the departments as they prepared the submissions.⁵

Ronnie Campbell, Assistant Auditor General at the OAG, identified some of the success factors in managing the EAP:

³ Meeting 33, 855.

⁴ Ibid.

⁵ Ibid.

I think the senior bureaucracy was seized with this initiative. Sometimes in government you see early attention and then senior folks go on to other things and sometimes the energy gets lost, but that wasn't the case here. We saw lots of evidence that deputies were actively involved as a group and within their own departments. Departmental audit committees were seized with this as well. There was good governance around it, and I think when you've got that amount of sustained attention from senior folks, it flows right throughout the whole organization.⁶

The Committee notes that according to the audit, federal departments and agencies adequately monitored the progress and spending of the EAP programs examined, and the programs met the objective of providing timely stimulus to the Canadian economy.

PERFORMANCE MEASUREMENT

While the EAP programs were delivered in a timely manner, the OAG identified a problem with performance measurement in one of the three audited programs. Although a key objective of the Community Adjustment Fund was to create and maintain jobs in communities hit hard by the economic downturn, the OAG concluded that the design of the program did not allow for performance measurement and reporting to determine if this key objective was being achieved. In the case of the contribution agreements for the Community Adjustment Fund, projects were to include specific performance indicators related to job creation and were designed to be used as a measurement of project progress. However, departments and agencies did not have sufficient guidance on how to consistently collect information. Also, in one case, performance information was not systematically collected after central agencies announced that job information would be used selectively only for illustrative purposes to accompany the macroeconomic analysis. Consequently, the OAG determined that the lack of reliable performance information would make it difficult for the government to determine the effectiveness of the Community Adjustment Fund program in achieving the objective to create or maintain jobs in communities hit hard by the economic downturn.

⁶ Meeting 33, 910.

Based on this finding, the OAG recommended that, “when federal initiatives to be delivered by multiple federal entities are developed, the sponsoring departments, in consultation with the Treasury Board of Canada Secretariat, should ensure that programs are designed to allow for reliable performance measurement and reporting on overall impact and effectiveness.”⁷ The Secretariat agreed with the recommendation.

At the hearing, Ronnie Campbell, Assistant Auditor General, noted that not collecting job information for the Community Adjustment Fund was a missed opportunity, but it did not affect the government’s overall analysis of the impact of the EAP, stating:

As to the community adjustment fund, that program was designed to generate and maintain jobs. We think it's a bit of a missed opportunity, in that they didn't gather the information necessary to do it right. But doing that for the program wouldn't have allowed the government to do the impact analysis on the overall economic action plan. That's still to come and it's an important part of this story.⁸

David Enns of the Treasury Board of Canada Secretariat spoke of steps they are taking to improve guidance:

We agree with the recommendations of the audit, and we are taking steps to improve the quality of the advice we provide to departments. Through the course of the year, we engage in a range of outreach activities with them. We issue best practices. We talk to them in one-to-one meetings. We have a GC forum site that allows for interaction as departments develop their initiatives. We are trying to help them improve their performance measurement and reporting.⁹

The Committee acknowledges that improvements need to be made in collecting consistent information for infrastructure projects and recommends that the appropriate modifications be made in the guidance to departments and in practices used in program implementation.

⁷ Chapter 1, paragraph 1.71.

⁸ Meeting 33, 900.

⁹ Meeting 33, 905.

PERFORMANCE REPORTING

Reporting on performance provides information to parliamentarians and Canadians on the results achieved against planned performance expectations and public funds spent. Federal departments and agencies were required to report on the implementation and effectiveness of their EAP programs through their departmental performance reports.

The OAG found that Infrastructure Canada, Industry Canada, and the regional development agencies reported performance information on their EAP projects in inconsistent places in their departmental performance reports, which made the information difficult to locate. Also, some information was not complete. While the OAG noted that Infrastructure Canada's 2009–2010 departmental performance report provided information on progress and spending under the Infrastructure Stimulus Fund, and that Industry Canada's 2009–2010 departmental performance report provided information concerning the Knowledge Infrastructure Program, the OAG found that, overall, the regional development agencies and Industry Canada's information in departmental performance reports on the Community Adjustment Fund was incomplete—the information lacked details on the expected results and did not give a summary of performance to date. As a result, it was difficult to follow program progress.

Based on these findings, the OAG recommended that, “in its future guidance for departmental performance reports, the Treasury Board of Canada Secretariat should encourage departments and agencies to consolidate Economic Action Plan reporting in a separate sub-section of their departmental performance reports.” The Secretariat agreed with the recommendation.

The Committee notes that Industry Canada, Infrastructure Canada, the Atlantic Canada Opportunities Agency, and Western Economic Diversification Canada all provided detailed performance information on their EAP programs in a separate section of their 2010-2011 departmental performance reports. The Economic Development Agency of Canada for the Regions of Quebec, the Canadian Northern Economic

Development Agency and Federal Economic Development Agency for Southern Ontario also provided information in their 2010-2011 departmental performance reports.

THE ECONOMIC IMPACT OF THE EAP

In order to help parliamentarians and Canadians understand the overall results of the EAP, the federal government has produced seven reports on the EAP. Three of these reports made an assessment of the job impact of the EAP by using a macroeconomic model. Douglas Nevison of the Department of Finance Canada explained why a macroeconomic model was used:

So while there was information gathered at the project level, which provided concrete examples of jobs in particular projects, we determined early in the process, similar to what was done in other jurisdictions such as the United States, that the model-based approach was the best way to look at the direct job impacts, the indirect job impacts associated with the project, and also the induced impacts. I think it's also important to remember that the economic action plan wasn't entirely project-based. There were a number of significant measures, such as the home renovation tax credit, that were not part of a project-based approach but also contributed significant stimulus to the economy through job creation.¹⁰

In its first audit on the EAP, the OAG recommended that the Department of Finance Canada and the Privy Council Office prepare a summary report to Parliament at the conclusion of the EAP, which would include a detailed account of the EAP's impact on the economy. In the second audit, the OAG noted that this report would be prepared by late 2011 or early 2012.

At the time of the hearing, officials from the Department of Finance Canada and the Privy Council Office were unable to confirm the timing of the final report on the EAP, although Rick Stewart of the Privy Council Office stated:

I would note, as my colleague from the Department of Finance has already mentioned, that the government has already issued several reports to Canadians. I would further note that it has been a feature of past budgets to include updates on the progress being achieved in this

¹⁰ Meeting 33, 905.

program through the budget delivery process. In terms of a specific date, that is a date for the government yet to conclusively identify.¹¹

Witnesses were able to confirm that the final spending numbers would be included in the *Public Accounts 2012*, which would be available in the fall of 2012.

The Committee notes that the final report on the EAP was released subsequent to the hearing. On March 29, 2012, the Finance Minister presented his Budget 2012 to the House of Commons. Attached to the Budget Plan was an annex entitled, "The Stimulus Phase of Canada's Economic Action Plan: A Final Report to Canadians." This report provided descriptive details on the various components of the EAP and concluded by noting that:

The stimulus phase of the Economic Action Plan reduced the size of the contraction in employment in the second quarter of 2009, prevented another contraction in the third quarter of 2009, and contributed to the increase in employment from the last quarter of 2009 through the first quarter of 2011. The Department of Finance estimates that the stimulus phase of the Economic Action Plan had created or maintained almost 250,000 jobs as of March 2011, and that the job impact remained close to this level through the remainder of 2011.¹²

PROGRAM EVALUATION

The EAP was composed of almost 90 programs, including those audited by the OAG. While the overall intent of these programs was to provide stimulus to the economy during the economic downturn, the programs also had longer-term goals and impacts, as was noted by Taki Sarantakis of Infrastructure Canada:

In our case, at Infrastructure Canada, there were some 6,500 infrastructure projects that were financed under the economic action plan that will continue to create jobs into the future, whether they're roads, waste water plants, recreational facilities, highways, or broadband. These

¹¹ Meeting 33, 940.

¹² Department of Finance Canada, *Jobs, Growth and Long-Term Prosperity: Economic Action Plan 2012*, Ottawa, March 2012, p. 354.

are the types of projects that we hope will help improve Canada's competitiveness and Canada's productivity over time.¹³

Robert Dunlop of Industry Canada also spoke of the long-term impacts of the Knowledge Infrastructure Program (KIP):

Obviously building the capacity of universities and colleges has a tremendous potential impact in the future. ... The areas that KIP supported included repair and maintenance, which maybe doesn't get the credit it deserves. We've had a number of institutions that are looking at significant reductions in their energy costs going forward, at a time when their provincial funding may be affected. That allows them to keep their activities going at a time when otherwise they would have to cut back on the education that happens.¹⁴

While the government has produced a report assessing the overall economic impact of the EAP, the Committee believes that there is value in understanding the long-term effectiveness of the various components of the EAP, which involved considerable amounts of public funds and resulted in many lasting infrastructure improvements throughout the country. Ronnie Campbell, Assistant Auditor General, noted the value in assessing the components of the EAP:

However, it was mentioned earlier in the evening that a variety of tools were used: existing programs, new programs, tax measures, and the like. It would be useful in any overall assessment for the government to get a sense of which ones really worked and which ones worked a little less, so in the future they could learn from that as a basket of tools. I'm sure the whole \$47 billion had an impact, but to what extent each of the tools helped would be a good question.¹⁵

Understanding the effectiveness of the various components of the EAP would help the government design future infrastructure, and possibly stimulus, programs to obtain the best value for money and ensure that the federal funding leaves a lasting legacy in the areas of the economy and the regions of the country where it is needed most. The Committee recommends:

¹³ Meeting 33, 920.

¹⁴ Ibid.

¹⁵ Meeting 33, 1000.

RECOMMENDATION

That the Government of Canada include in its response to this report an evaluation of the major individual components of Canada's Economic Action Plan to determine their long-term effectiveness.

CONCLUSION

It is clear that federal public servants undertook significant efforts to ensure that the EAP stimulus programs were designed and delivered in a timely manner, as was confirmed by the OAG's findings. They worked hard to prepare the programs, monitor progress, mitigate risks, and take corrective actions where necessary. The Committee commends the hard work and dedication of all those who contributed to the implementation of the EAP.

The Committee notes that while improvements are needed in the collection of performance information, departments and agencies did report on performance in their departmental performance reports, and the government's final overall macroeconomic assessment stated that the EAP was a success in helping Canada avoid the worst of the economic downturn and created or maintained almost 250,000 jobs.

APPENDIX A LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
<p>Department of Finance</p> <p>Douglas Nevison, General Director, Economic and Fiscal Policy Branch</p> <p>Elisha Ram, Director, Microeconomic Policy Analysis</p> <p>Department of Industry</p> <p>Robert Dunlop, Assistant Deputy Minister, Science and Innovation Sector</p> <p>Shane Williamson, Director General, Program Coordination Branch, Science and Innovation Sector</p> <p>Infrastructure Canada</p> <p>Natasha Rascanin, Assistant Deputy Minister, Program Operations Branch</p> <p>Taki Sarantakis, Assistant Deputy Minister, Policy and Communications Branch</p> <p>Office of the Auditor General of Canada</p> <p>John Affleck, Principal</p> <p>Ronnie Campbell, Assistant Auditor General</p> <p>Privy Council Office</p> <p>Rick Stewart, Assistant Secretary to the Cabinet, Liaison Secretariat for Macroeconomic Policy</p> <p>Treasury Board Secretariat</p> <p>David Enns, Deputy Assistant Secretary, Expenditure Management</p> <p>Amanda Jane Preece, Executive Director, Results Based Management Division</p>	2012/03/13	33

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant Minutes of Proceedings (41st Parliament, 1st Session: [Meetings Nos. 33, 44, 46 and 65](#)) is tabled.

Respectfully submitted,

David Christopherson, M.P.

Chair

New Democrat MPs, members of the Standing Committee on Public Accounts, disapproves that the Committee’s final report on *Canada’s Economic Action Plan* contains partisan elements. While in agreement with the majority of the report, members of the Official Opposition who sit on the Committee would like to make some further comments on two elements of this report.

Chapter 1 of the *fall 2011 Report of the Auditor General of Canada* sought to determine if federal departments and organizations had monitored progress and federal spending for given programs of the *Canada Economic Action Plan* and reported on the results.¹ The New Democratic Party is of the opinion that, considering the topic of the Report and the testimonies gathered during the 33rd session of the Public Accounts Committee, there is no basis to conclude in the Public Accounts Committee report that the objective of the Economic Action Plan’s programs was met.

Nevertheless, the report states: “The Committee notes that, according to the audit, [federal departments and organizations] met the objective of providing timely stimulus to the Canadian economy.”² The Office of the Auditor General did not do a study on whether or not the objectives of the *Economic Action Plan* were met. There is therefore nothing in his report to show that the objectives were met. On the contrary, the OAG criticizes the fact that data gathered by the departments does permit to determine whether or not the job creation and maintenance objective was met: “Although a key objective of the *Community Adjustment Fund* was to create and maintain jobs in communities hit hard by the economic downturn, the OAG concluded that the design of the program did not allow for performance measurement and reporting to determine if this key objective was being achieved.”³

The Public Accounts Committee also mentions in the conclusion of its report that: “[...] because of the Economic Action Plan, Canada was able to avoid the worst effects of the economic downturn [...]”⁴ New Democrats sitting on the Public Accounts Committee believe that there is no justification for this statement to appear in the Committee’s report. Moreover, the quote above was taken from the *Budget 2012 on the Economic Action Plan, Annex 2*, a document that was not tabled at Committee. The NDP being committed to the principle of non-partisanship and collaboration of House of Commons Standing Committees and to the dissemination of accountable, equitable and transparent information, it is alarming for NDP MPs who sit on the Standing Committee on Public Accounts, to witness the use of partisan government documents in Committee reports.

¹ Report of the Standing Committee on Public Accounts, *Canada’s Economic Action Plan, Chapter 1, Fall 2011*, Report of the Auditor General of Canada, p. 2.

² *Ibid.*, par. 6.

³ *Ibid.*, p. 6.

⁴ *Ibid.*, par. 26.